1991 Annual Report

GENERAL MILLS

Red Lobster
Cheerios
General Mills
LOWEST SUGAR OF THE LEADING BRANDS
Cheerios
Whole Grain Toasted Oat Cereal
MADE FROM WHOLE GRAIN OATS
Betty Crocker

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Structured for Growth through the Year 2000

INNOVATION, SPEED, COMMITMENT.

These are the factors that will drive market share growth, new business development and improved efficiency at General Mills through the 1990s. As such, these three central values are the keys to achieving our year 2000 goals.

Our commitment is to achieve financial results that place us within the top decile of all major companies. To fulfill that commitment, we must first promote innovation in every part of General Mills. But innovation alone will not be enough. In the global competition of the 1990s, we must also act faster and more surely in all that we do. Speed to the marketplace is the second vital ingredient for competitive success. Third, our commitment to succeed must be strong enough to overcome the inevitable obstacles we will face.

Our strong historical performance and our record results in 1991 are the product of innovation, speed and commitment. This annual report summarizes our results and features teams of General Mills people pursuing operational excellence through these three central values.

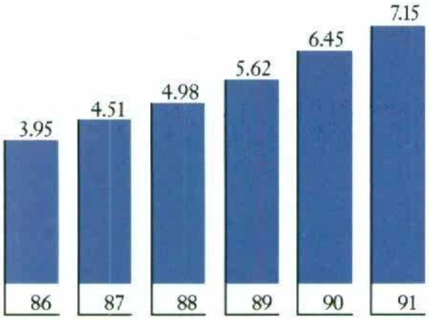
Table of Contents

Letter to Shareholders and Employees 2
Goals and Outlook 4
Review of Operations 6
Corporate Citizenship 18
Financial Review 19
Report of Management Responsibilities/
Audit Committee's Report 22
Financial Statements 23
Eleven-year Summary 36
Corporate Directory 37
Shareholder Information Inside Back Cover

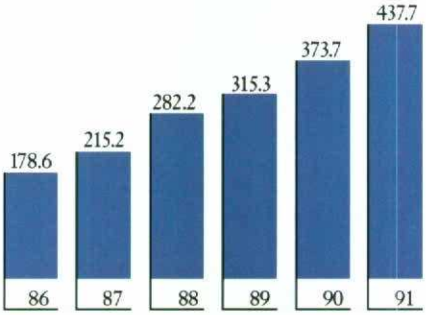
The Years in Brief

Amounts in Millions, Except per Share Data and Percentages	***Fiscal Year Ended*** **May 26, 1991**	*May 27, 1990*	*May 28, 1989*
Continuing Operations			
Sales	**$7,153.2**	$6,448.3	$5,620.6
Earnings after Taxes	**464.2**	373.7	315.3
Earnings per Share	**2.82**	2.27	1.92
Return on Average Equity	**48.3%**	48.5%	45.7%
Results After Discontinued Operations and Accounting Change			
Discontinued Operations after Taxes	**$ 8.5**	$ 7.7	$ 169.0
Cumulative Effect of Accounting Change	**—**	—	(70.0)
Net Earnings	**472.7**	381.4	414.3
Net Earnings per Share	**2.87**	2.32	2.53
Average Shares Outstanding	**164.5**	164.4	163.9
Dividends per Share	**$ 1.28**	$ 1.10	$ .94
Year-end Market Price per Share	**58.00**	38.875	33.75

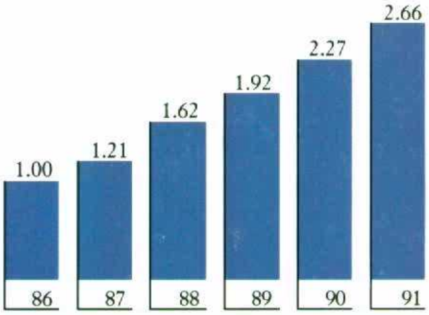
1991 results include a net after-tax gain of $26.5 million ($.16 per share) from unusual items. See note three to consolidated financial statements.



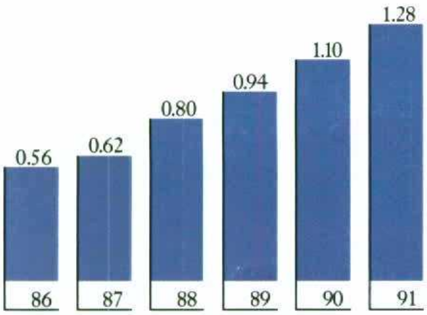
Sales
Dollars in billions
CGR = 13%



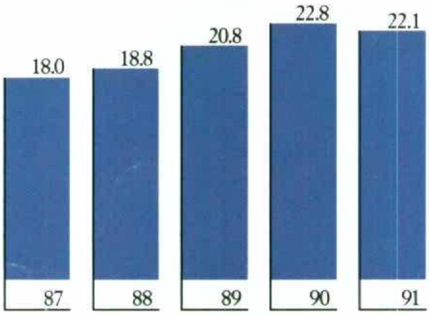
Earnings After Taxes
Dollars in millions
CGR = 20%



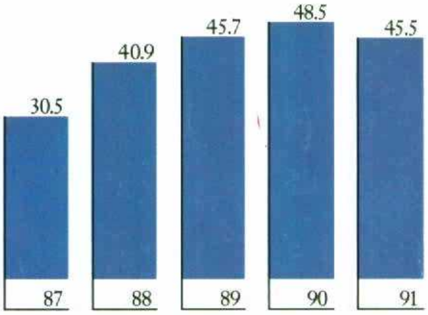
Earnings Per Share
Dollars
CGR = 22%



Dividends Per Share
Dollars
CGR = 18%



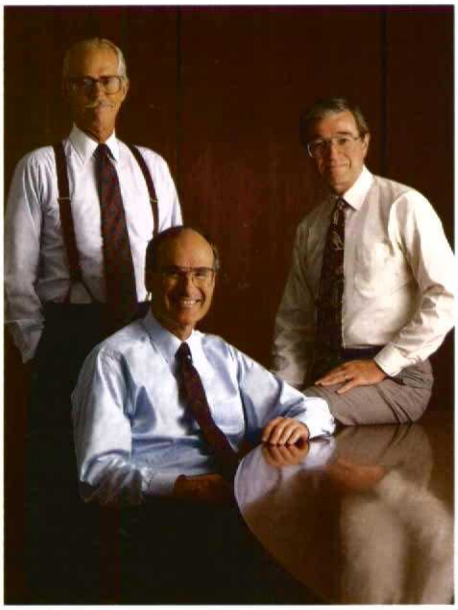
After-tax Return on Capital
Percent
5-yr. Avg. = 20.5%



Return on Average Equity
Percent
5-yr. Avg. = 42.2%

Continuing Operations, 1991 earnings exclude unusual net gain

Letter to Shareholders and Employees



From left: Blodgett, Atwater, Willes

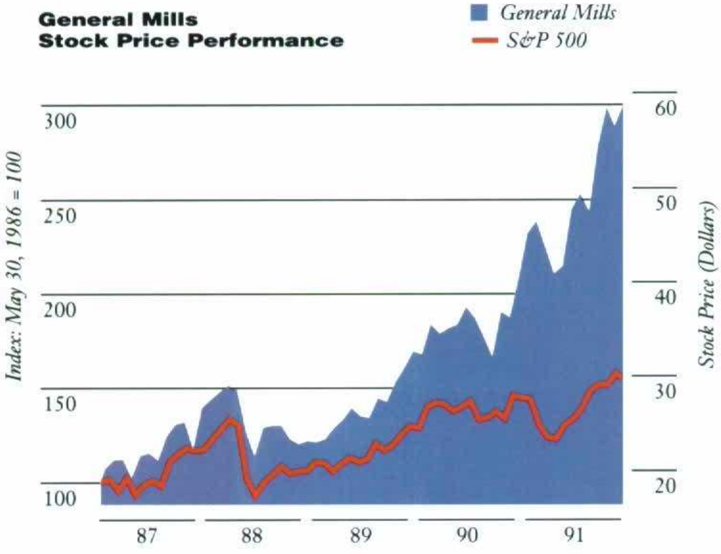
For the sixth consecutive year, General Mills' performance substantially exceeded our long-term goals. Fiscal 1991 highlights and our future goals are summarized below.

Fiscal 1991 Results

Earnings per share from continuing operations increased 17 percent to $2.66. After-tax earnings also grew 17 percent to $437.7 million. These figures exclude an unusual net gain of $.16 per share, or $26.5 million, from the sale of the O-Cel-O sponge and Lancia Bravo pasta operations and restructuring charges. Sales rose 11 percent and reached $7.15 billion. Return on sales before unusual items increased to 6.1 percent.

These record results reflect continued strong performance by both Consumer Foods and Restaurants. Operating profits for Consumer Foods increased 20 percent before the unusual gain; Restaurants operating profits rose 12 percent. Total corporate operating profits excluding the unusual gain grew 18 percent to $813 million, with Big G cereals, Betty Crocker Products and The Olive Garden as the largest contributors.

General Mills Stock Price Performance



The price of General Mills' common shares tripled over the past five years, growing at over twice the rate of the S&P 500. With a $58 price per share at the end of 1991, General Mills' total market valuation exceeded $9.6 billion.

Domestic retail packaged foods unit volume grew 7.9 percent, and virtually all key businesses maintained or increased their market shares. Big G expanded its dollar share of the domestic retail ready-to-eat cereal market to a record 28.4 percent. Our international cereal business also grew, as General Mills' share of the Canadian cereal market increased to a record 14 percent and CPW, our worldwide cereal joint venture with Nestlé S.A., began operations in Europe.

Our record financial results and continuing operating momentum resulted in strong shareholder returns. Dividends grew for the 26th consecutive year, increasing 16 percent to $1.28. The new $1.48 annual rate effective with the Aug. 1, 1991, quarterly payment represents a further 16 percent increase. The year-end market price of General Mills shares was $58, up 49 percent in the past year.

Internal Growth Drivers

The three key factors underlying our performance are first, a strong business structure designed for both growth and return; second, aggressive marketing to produce strong unit growth; and third, an increasing emphasis on productivity. These factors provide General Mills with strong internal growth prospects.

We support the reinvestment opportunities in our current businesses with a heavy internal investment program. In 1991, fixed asset investment totaled $555 million, including a 10 percent increase in our cereal manufacturing capacity, investment in productivity projects throughout Consumer Foods, and a record 111 new Red Lobster and

Leading Market Positions

Dollars in millions	*1991 Sales*	*1991 Retail $ Share*	*Rank*
Consumer Foods			
Big G Cereals	$1,820	28%	2
Betty Crocker Desserts	450	42	1
Family Flour/Bisquick	305	52	1
Helper Dinner Mixes	235	71	1
Yoplait Yogurt	165	18	2
Fruit Snacks	165	51	1
Gorton's Frozen Seafood	140	23	2
Pop Secret Popcorn	135	30	2
Restaurants			
Red Lobster USA	1,414	25	1
The Olive Garden USA	613	12	1

The Olive Garden units in North America. In 1992, we expect to invest $625 million in fixed assets, including our new cereal plant under construction in Albuquerque, N. M., and a minimum 100 new restaurant units.

Financial Goals

General Mills' goal is to increase shareholders' wealth by achieving both good growth in earnings per share and high returns on capital. During the past five years, the company's growth and return have ranked in the top 10 percent of major corporations. Earnings per share have grown at a 22 percent compound annual rate, and after-tax return on capital has averaged 20.5 percent.

We are committed to continuing to achieve top-decile performance. Consequently, we have increased two of our major financial targets:

- Our new earnings per share growth goal is to average at least 8 percent above inflation over a five-year period, up from our previous goal of 7 percent.
- We have raised our targets for after-tax return on sales to at least 6.5 percent by 1994, and between 7.0 and 7.5 percent by 2000.

Our other key financial goals are to maintain a high return on investment, a balance sheet with a strong "A" bond rating, and dividend payout of approximately 50 percent of earnings.

Directors and Officers

Three highly valued and respected directors will retire from the board on Sept. 15, 1991, in accordance with the board's tenure policy. N. Bud Grossman, Lewis W. Lehr and William F. Pounds each made significant contributions to General Mills. We thank them for their good counsel.

Joe R. Lee, who has been president of General Mills Restaurants, Inc., and is a founder of Red Lobster, was elected executive vice president-finance as part of a planned transition for him to become chief financial officer when F. Caleb Blodgett reaches normal retirement age in May 1992.

Stephen J. Garthwaite, previously senior vice president, Research and Technology, was named senior vice president, Technology and Operations. This new organization is designed to accelerate our strong productivity increases by combining Consumer Foods' main technical resources, including engineering, manufacturing, procurement, research and quality control.

Future Outlook

The outlook for each of the company's key businesses is promising. Though relatively weak consumer spending continues to affect our restaurant operations, we expect 1992 to be another year of record sales, earnings and earnings per share with continued high returns. Our prospects for the remainder of the decade are also excellent. Pages 4 and 5 of this report discuss our plans for tripling our sales by the year 2000 while increasing profitability.

Our dedication to delivering superior results is strong companywide. A high percentage of General Mills employees who have been with the company more than three years are shareholders. Together, employees and directors own about 6 percent of General Mills' stock. It is their commitment to innovation and speed that creates championship performance. On behalf of all shareholders, we thank them for that commitment.

Sincerely,

H. B. Atwater, Jr.

H. B. Atwater, Jr.
Chairman of the Board and
Chief Executive Officer

F. C. Blodgett

F. C. Blodgett
Vice Chairman of the Board, Chief
Financial and Administrative Officer

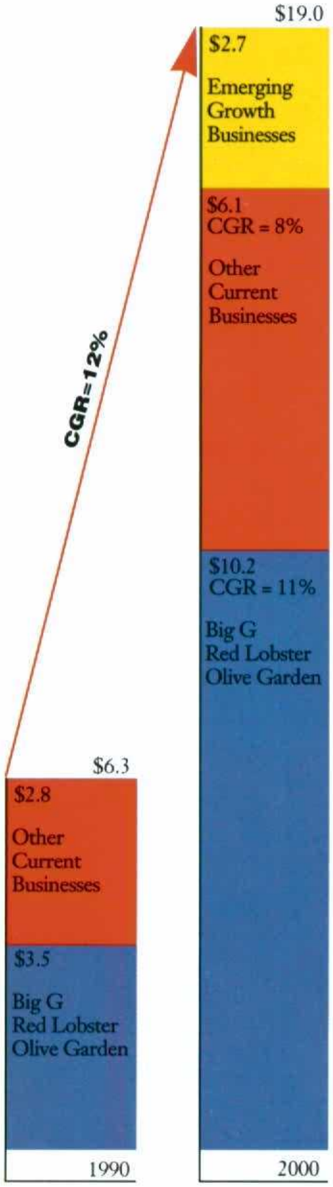
Mark H. Willes

Mark H. Willes
President and Chief Operating Officer

August 1, 1991

YEAR 2000 GROWTH GOALS

General Mills Sales
Dollars in billions



General Mills is committed to achieving superior long-term growth. In 1990, the presidents of our major operations developed growth goals for the year 2000. In the aggregate, their plans call for tripling General Mills' sales this decade to $19 billion while increasing productivity as measured by return on sales.

General Mills' strong performance in 1991 is a good first year of progress against our year 2000 goals. This section of the annual report discusses the basis for these 10-year goals.

Structured for Growth

General Mills is a highly focused company with businesses concentrated in some of the most attractive segments of the consumer foods and restaurant industries. Our strong consumer foods and restaurant brands can generate excellent returns on capital. However, adding strong growth to these high returns requires continuing share of market growth in existing categories, expanding into new market categories and achieving productivity increases. General Mills' emphasis on innovation, speed and commitment underlies these growth objectives.

Big G, Red Lobster and The Olive Garden

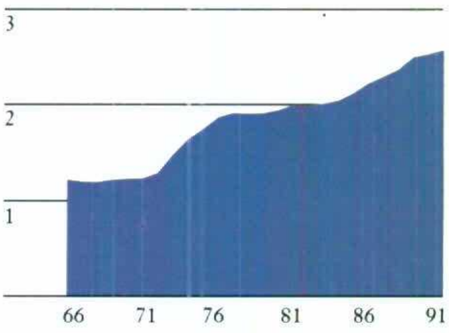
Big G cereals, General Mills' largest single business, has a year 2000 sales goal of $4.3 billion. This requires 10 percent compound annual growth from 1991 sales of $1.8 billion. To achieve this goal, Big G will rely on attractive market dynamics and a proven ability to increase market share.

The United States ready-to-eat cereal market has historically shown 3 percent compound annual volume growth. We believe per capita cereal consumption will continue to increase steadily, driven by consumers' increasing interest in nutrition and fitness.

Big G plans to increase its market share from 28 percent to more than 30 percent during this decade. To reach that goal, Big G is committed to achieving 5 percent average annual volume gains during the decade through continued growth of its established brands and strong new product performance.

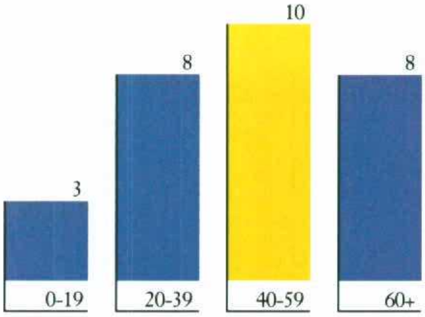
Red Lobster and The Olive Garden have leading market positions and significant expansion opportunities in North America. Their combined year 2000 sales goal is $5.9 billion, up from $2.2 billion in 1991.

RTE Cereal Market Pound Volume
Pounds in billions
25-yr. CGR = 3%



General Mills' restaurant concepts are well-positioned in the $23 billion casual dining category, the fastest-growing segment of the $82 billion full-service restaurant industry. The casual dining segment's good growth should continue as the 40- to 60-year-old age group expands over the decade by nearly 20 million people. This age group has the highest visit frequency to casual dining restaurants.

Casual Dining Restaurants Visit Frequency
1990 visits by age group



Source: CREST

Red Lobster and The Olive Garden each hold leading market positions because of their focus on healthy foods, their ability to evolve with customer tastes and their continuing expansion potential. Red Lobster has identified opportunities for an additional 350 to 400 units during the 1990s and The Olive Garden plans to add 350 restaurants. This will increase the total number of restaurants in North America from the current 840 to a minimum 1550 units by the year 2000.

Other Current Businesses

General Mills' other current businesses, including Betty Crocker Products, Sperry and Foodservice operations, expect to continue growing faster than the relatively mature markets in which they operate. Sustained product innovation will fuel this market share growth. These businesses are expected to generate $6.1 billion in sales in 2000. In aggregate, sales for all General Mills' current businesses would then reach $16.3 billion by 2000. This represents a compound annual growth rate of 10 percent.

We plan to invest $1.8 billion over the next three years in our established businesses. This includes $550 million for new Big G cereal production capacity, and $800 million for about 300 new Red Lobster and The Olive Garden units and the remodeling of many existing restaurants.

Emerging Growth Businesses

Several promising ventures, now under way, are designed to begin contributing to growth in the mid-1990s.

The most important of these is CPW, or Cereal Partners Worldwide, our strategic alliance with Nestlé to create a major worldwide breakfast cereal business. The first priority is Europe, where CPW this year began operations in the United Kingdom, France, Spain and Portugal. CPW plans to build a business in Europe with $1 billion in sales by 2000.

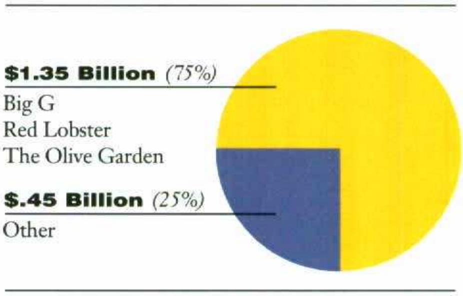
China Coast is a new restaurant concept being developed by the same leadership that created The Olive Garden. Two additional test units in the Orlando market are planned.

Leading the teams for three of General Mills' emerging growth businesses are: Charlie Gaillard (left), chief executive officer, CPW, S.A.; Blaine Sweatt, president, China Coast; and Gary Rodkin, president, Bringers.

Our Bringers venture, in test in the Minneapolis market, delivers high-value, prepared meals to homes and offices. In addition to these ventures, we also have a number of other new food businesses under development.

We expect at least two of these new ventures to become significant businesses for us by 2000, contributing $2.7 billion in sales. Total corporate sales would then reach $19 billion, representing compound annual sales growth of 12 percent.

Planned Fixed Asset Investment 1992-94: $1.8 Billion



Increasing Productivity Companywide

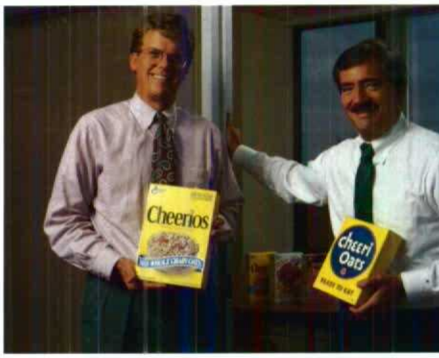
Productivity increases will contribute to profit growth. Reconfiguring manufacturing facilities, adopting high-performance work systems, controlling expenses and eliminating management levels are just some of the ways we are achieving productivity gains. For example, we have a goal of reducing Consumer Foods manufacturing and distribution costs from the current 20 percent of sales to 18 percent by the year 2000. This would add $200 million to pre-tax earnings.

We expect that our return on sales will continue to expand as a result of an improving sales mix, the gradual maturation of restaurant units, leveraging corporate expenses and our increasing productivity. Therefore, growth in earnings is expected to be faster than growth in sales. Our return on sales goal for the year 2000 is 7.0 to 7.5 percent, up from 6.1 percent in fiscal 1991.

Consumer Foods operations had another very successful year. Sales grew to $4.94 billion, a 10 percent increase excluding results of businesses sold in 1991. Domestic retail packaged foods unit volume grew 7.9 percent, significantly exceeding the overall market's rate of growth. Foodservice and international food operations also achieved strong volume gains. Operating profits excluding unusual items rose 20 percent to $641 million. Consumer Foods' 32 percent pre-tax return on average identifiable assets is among the best in the industry.

Big G Cereals Achieves Record-breaking Results

Sales of Big G ready-to-eat cereals rose 14 percent to $1.82 billion and profits grew at a faster rate to reach an all-time high. Big G increased its dollar share of the $7.4 billion ready-to-eat (RTE) cereal market by more than one point to a record 28.4 percent. While industry pound volume grew 2 percent, Big G's unit volume increased 8 percent with about two-thirds of the gain generated by established brands and the remainder by new cereals.

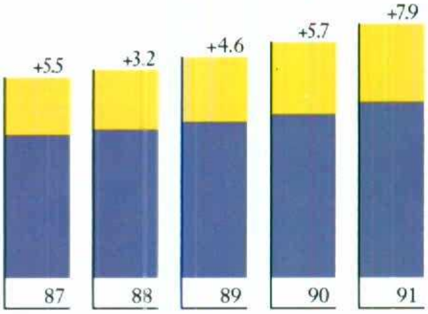


Big G's commitment to maintaining the vitality of established brands resulted in good volume gains for many long-time breakfast favorites. *Kix*, a 54-year-old brand, achieved 30 percent volume growth on the strength of its wholesome taste and enduring appeal to children. Other child-oriented cereals, including *Cinnamon Toast Crunch*, *Lucky Charms*, *Golden Grahams* and *Trix*, and established adult favorites such as *Wheaties* and *Total Corn Flakes*, also enjoyed volume gains.

The *Cheerios* line matched the overall volume growth of Big G's established brands. *Cheerios*, celebrating its 50th anniversary this year, *Honey Nut Cheerios* and *Apple Cinnamon Cheerios* together are the market's leading franchise, with nearly a 10 percent dollar share.

One key to this established brand strength is Big G's commitment to product quality. Big G has a goal of improving one-third of its product line each year with meaningful advances in taste, texture, nutrition and other attributes important to consumers. Due in part to these efforts, combined dollar sales for Big G brands 10 years old or more have

Consumer Foods
Domestic Retail Unit Volume
Percent growth vs. prior year



🟨 *Products new in last 5 years*

Introduced in 1941 as Cheeri Oats, Cheerios turned 50 this year—but isn't showing its age. A strong commitment to product quality and aggressive marketing efforts led by John Hallberg (left), director of the Cheerios business unit, and Steve Sanger, president of Big G, help make Cheerios America's number-one cereal ranked by dollar sales.

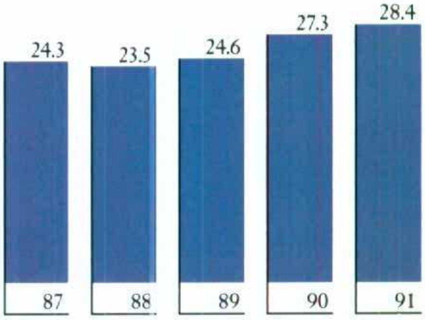
grown at a 10 percent compound annual rate over the past decade, matching the overall cereal market's rate of growth.

New product efforts in recent years have focused on the all-family and adult cereal categories in recognition of population trends and because Big G has been underrepresented in these segments. Newer brands, including *Oatmeal Crisp*, *Clusters* and *Total Raisin Bran*, that combine nutrition and great taste enjoyed good volume gains in 1991.

Two new cereals, *Triples* and *Basic 4*, completed nationwide distribution in March with strong initial consumer trial. Combined introductory shares in April and May reached 2 percent. *Wheaties Honey Gold*, a sweetened whole-wheat and corn extension of the *Wheaties* franchise, is now entering half of the country.

Cereal manufacturing capacity increased 10 percent in 1991, including the start-up of a second system at our Covington, Ga., plant. This facility is our first major production site in the southeastern U.S. The 1991 capacity additions followed a 20 percent capacity expansion in 1990, enabling Big G to introduce new cereals and support the continued growth of established brands. Plans are to increase capacity by 5 to 7 percent annually over the next three years, including the opening late in calendar 1992 of our Albuquerque, N.M., facility, which will be our first plant in the Southwest.

Big G Cereals Dollar Share
Percent



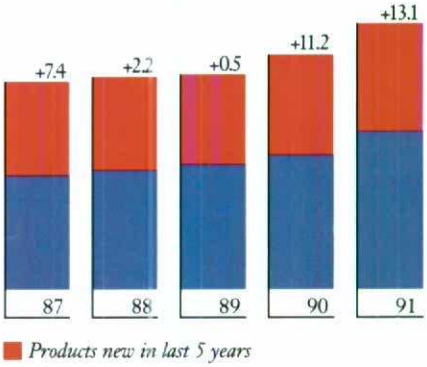
Betty Crocker Products Has Double-digit Volume Gain

Combined unit volume for Betty Crocker product lines grew 13 percent, building on last year's 11 percent volume gain and outpacing market category growth. Betty Crocker maintained or increased its shares in market segments that, in the aggregate, generate annual retail sales of about $3 billion.

Betty Crocker desserts hold a 42 percent leadership share in market segments totaling $1.1 billion. In 1991, innovative new products, such as *Betty Crocker Party Frosting* and a line of *Betty Crocker Light* desserts, including reduced-fat cake mixes, muffins and frostings, led volume growth for Betty Crocker and stimulated renewed category momentum.

Aggressive marketing support, effective merchandising and strong product line extensions combined to increase Betty Crocker's dominant share of the $375 million add-meat

Betty Crocker Products Unit Volume Growth
Percent growth vs. prior year



dinner mix market. *Hamburger Helper* posted its 11th consecutive annual volume increase and set a new all-time high. Recently introduced flavors, including *Hamburger Helper* Cheesy Italian, Zesty Italian and Beef Stroganoff, enjoyed continued strong demand, and new Nacho Cheese and Beef Taco varieties, introduced earlier this summer, should help sustain this volume momentum. New *Tuna Helper* Romanoff contributed to strong volume growth by that line in 1991.

Art Schulze (left), vice chairman; Ned Bixby, president, Consumer Foods Sales; and Steve Garthwaite, senior vice president, Technology and Operations.

Betty Crocker Potato Buds and specialty potato mixes achieved good volume and share gains in the $285 million packaged potatoes category. New *Betty Crocker Homestyle* potatoes, featuring skin-on potatoes, led the volume growth; this line is currently being expanded.

Betty Crocker's various snack food businesses posted strong volume and share gains in 1991. In the $420 million fruit snacks market, Betty Crocker increased its leadership share to 51 percent on the strength of unique new products and well-executed marketing and merchandising programs. Combined fruit snack volume grew 17 percent led by two new products, *Fruit by the Foot* fruit rolls and *Surf's Up!* shaped fruit snacks. In addition, *Garfield* fruit shapes and rolls continued to enjoy strong demand. New *Gushers* fruit-juice filled shapes, *Sodalicious* soda-flavored fruit snacks and *Fruit Roll-Ups Crazy Colors* are currently being introduced.

Pop Secret increased its dollar share of the $555 million retail grocery microwave popcorn category by 6 points in 1991 to reach 30 percent. Category volume grew 9 percent, and *Pop Secret* volume increased by nearly one-third on the strength of the Light, Singles and Value Pack lines. This summer, Betty Crocker introduced an improved *Pop Secret* line and new *Pop Secret Pop Qwiz*, popcorn that pops up in surprise colors.

Nature Valley granola bars achieved a 24 percent unit volume gain, reflecting good performance by new varieties, continued distribution gains and the enduring consumer appeal of this wholesome snack.

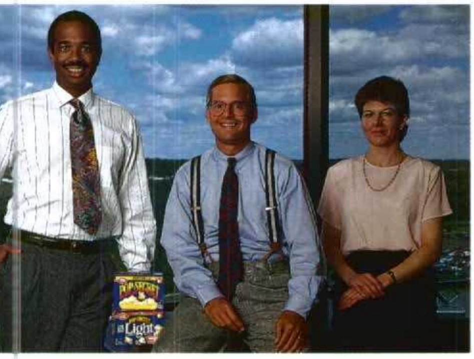
Sustained product innovation has enabled
Betty Crocker Products to record strong un
volume gains and drive market growth. Mar
Belton (left), general manager, grain snacks
Dave Murphy, president, Betty Crocker Proc
ucts; and Dorothy Muffett, research directo
worked together on a recent innovation,
Pop Secret Light microwave popcorn.

Bugles, a roasted corn snack introduced in 1964, achieved strong volume growth. New ranch flavor *Bugles* was introduced in April and is contributing good incremental volume.

The *Squeezit* line of single-serving fruit drinks also generated good volume growth. Manufacturing capacity was added in 1991, expanding distribution to additional regions of the country during the second half of the year.

Flour and Baking Mix Lines Sustain Volume Growth

Consumer interest in healthful, grain-based foods and a soft economy helped drive per capita consumption of flour in the United States to 138 pounds in 1991, the highest level since 1950. In the $450 million family flour market, unit volume grew 4 percent. Combined volume for General Mills' flour brands increased 5 percent. *Gold Medal* flour, now 111 years old, remains the clear category leader.



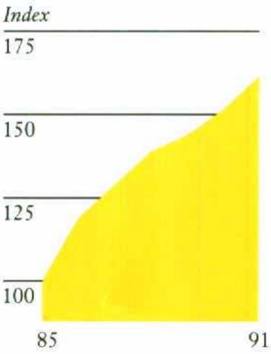
Robin Hood and *Gold Medal* pouch mix lines posted 14 percent volume growth on the success of various distribution and merchandising initiatives. A new, four-flavor line of *Snackin' Cake* mixes currently entering distribution will help sustain the volume momentum.

Bisquick dominates the $130 million baking mix category. Unit volume was up for the third consecutive year supported by strong advertising and effective consumer promotion. The *Shake 'n Pour* pancake line contributed incremental volume to the *Bisquick* franchise in its second year in distribution.

Bakery flour operations set a new volume record. Continued focus on the fast-growing and profitable foodservice and in-store bakery segments, along with increased mill utilization industrywide, resulted in strong profit growth.

Flour Milling Productivity

Hundredweights per labor hour
CGR = 8%



Foodservice Operations Increase Market Shares

Foodservice Division sales and profits reached record levels. Unit volume increased 8 percent, led by strong growth of ready-to-eat cereals. Market share gains were achieved in existing cereal market segments and distribution of single-serving cereals was expanded to new outlets, which generated good incremental sales. In addition, Foodservice enhanced its leading position in the baking mix segment with further product quality improvements.

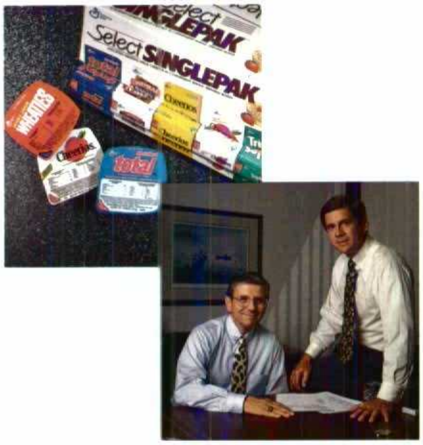
Leslie Frecon (left), controller, Sperry Division; Ted Cushmore, president; and Charlie Gill, vice president, director of operations, are working together to achieve continuing productivity gains.

Yogurt, Seafood Industry Conditions Remain Difficult

Yoplait and Gorton's both reported lower volume and earnings, reflecting continued difficult conditions in those industries.

Yoplait maintained its number two position in the $1.0 billion yogurt category but annual volume was lower, mirroring industry trends. In response to this difficult environment, Yoplait initiated several consumer-oriented marketing programs in January that renewed unit volume growth during the final quarter of the year. Strengthened marketing support and product line improvements are planned in 1992.

High raw ingredient costs, weak market conditions, and heavy competitive trade spending continued to affect volume and profitability in the $840 million retail frozen packaged seafood market. At Gorton's, strong productivity improvements partially offset increased raw material costs. Gorton's is also responding with improvements to existing lines, such as 90 percent fat-free *Natural Cut Crunchy* fillets. New, value-added products are also planned, including a flavored shrimp line just entering distribution.



Roger Rumble (left), president, Foodservice; and Ron Behm, director, national sales.

International Operations Expanding

General Mills' international food operations include businesses in Europe and Canada, minority ownership in flour milling joint ventures in Latin America, and export and technology marketing activities.

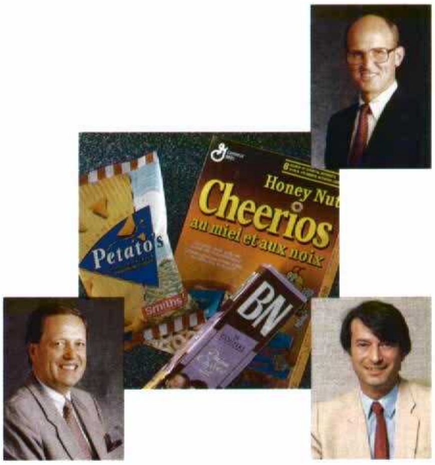
European snack food operations had another strong year. Biscuiterie Nantaise in France achieved volume gains in its key snack and sandwich cookie markets. Through innovative new products such as *Choc'Coeur* and quality improvements in established brands, BN has increased its share of the sandwich cookie market in each of the last five years. Smiths Foods, operating in the Netherlands and Belgium, posted record volume. New *Petato's* and *Graino's* snacks were introduced in Holland in October and helped boost Smiths' snack share in that market to a record of over 50 percent. *Bugles* corn snacks also contributed good volume growth. To meet growing demand in existing markets and support plans for snack introductions in additional European countries, General Mills is investing $55 million to build a new plant in Holland, scheduled to open in calendar 1992.

Chap Colucci (left), vice president, marketing, Yoplait; Jon Finley, president; and Chris Steiner, vice president, new business development.

Dave Weber (left), vice president, operations, Gorton's; and Steve Warhover, president.

Canadian food operations posted strong earnings and volume gains. Big G cereals advanced to the number two share position in Canada, as volume increased 41 percent and market share grew 3 points to reach 14 percent. This performance reflects the introduction of strong new products such as *Apple Cinnamon Cheerios* and growth of existing brands including *Honey Nut Cheerios*, now the market's third-largest cereal. Additional cereal capacity will become operational in Canada during 1992. Unit volumes were also higher for Canadian baking mixes, dinner mixes and snack food lines on the strength of new product introductions and effective marketing programs.

Joint venture milling operations in Latin America surpassed earnings expectations despite sharp currency devaluations in Guatemala and Venezuela. Export operations set a new volume record, as actions to open new markets and add distributors continue.



Clockwise from top: Steve Demeritt, president, International Foods and General Mills Canada; Guy Scherrer, president, Biscuiterie Nantaise (France) and Willem Van der Mee, president, Smiths Foods (Benelux).

CPW Cereal Joint Venture Operational in Europe

CPW, our strategic alliance with Nestlé, began operations during 1991. With the acquisition last July of the Ranks Hovis McDougall cereal business in the United Kingdom, CPW gained an immediate 14 percent share of the world's highest per capita cereal consumption market. Strengthened marketing programs in the UK behind the core *Shredded Wheat* and *Shreddies* brands have generated good volume and share response. *Golden Grahams* was introduced late in the year.

On the Continent, *Chocapic*, an existing Nestlé brand, has grown to near market-leader status in France and Portugal. CPW's first two new products, *Honey Nut Cheerios* and *Golden Grahams*, were introduced to Europe beginning in January. Trade acceptance has been excellent, and volume and share are increasing in response to introductory marketing activities. CPW has invested more than $50 million to build manufacturing capacity in Europe for cereals requiring sophisticated production technology. The first of these systems, in Rumilly, France, began operations this past spring.

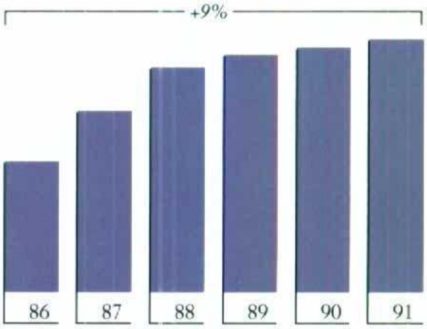
Restaurant sales grew 15 percent to reach $2.21 billion, reflecting continued aggressive new unit expansion and volume gains by existing restaurants. Average store sales performance by Red Lobster and The Olive Garden exceeded casual dining industry averages, which were affected by the recession and the Middle East war. In this difficult environment, Restaurant operating profits rose 12 percent. A record 111 units were added in the United States and Canada, for a total of 840 company-owned restaurants in operation at year end.

Red Lobster USA Strengthens Market Position

Red Lobster continued to dominate the seafood dinnerhouse segment, with sales of $1.41 billion representing a 25 percent market share. The chain recovered from war- and recession-influenced second and third quarters to post a fifth consecutive year of customer traffic gains. Forty restaurants opened in 1991 for a year-end total of 500 units in 42 states.

During 1991, Red Lobster strengthened its commitment to providing consumers with high-quality seafood at good value. A new lunch menu was introduced in September with half of the selections priced under $5; a new dinner menu added in December includes more entrees under $10. Although check averages declined 2 to 3 percent in the second half as a result of this increased value focus, guest count growth held average unit sales even with last year's $3.0 million. Red Lobster is continuing to explore alternative programs to enhance value, sustain customer traffic gains and improve operational efficiencies.

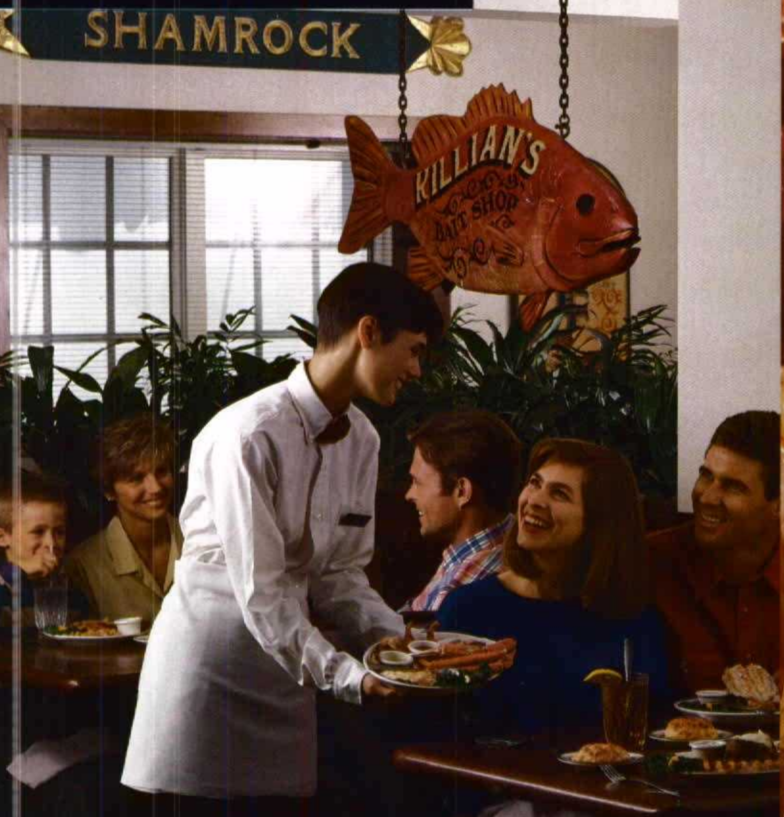
Red Lobster
Weekly Customer Traffic



Red Lobster further validated the success of its expansion strategies. Initial units in California, the Pacific Northwest and New England continue to meet or exceed chain averages, confirming the opportunity in these key underpenetrated markets. Small market units, designed to operate efficiently in markets with 65,000 to 150,000 people by leveraging the chain's network television advertising and operating systems, continue to meet expectations. Red Lobster added 15 of these units in 1991.

Red Lobster also initiated a major concept updating. Fresh-baked cheese garlic bread, a house caesar salad and a new service approach were introduced chainwide, and a number of new items were added to the menu. A systemwide

New unit expansion is the growth driver in restaurant operations. Red Lobster President Jeff O'Hara (center); Phil Pritchard, executive vice president, operations (left); and Dick Halterman, senior vice president, development, plan to open 46 additional restaurants in 1992, a chain record for new unit construction.



remodeling program began, with 51 units converted to a more contemporary, nautical decor.

Plans call for adding 46 restaurants in 1992; half of these will be in small markets. Red Lobster will also remodel an additional 125 units at an average unit cost of $280,000.

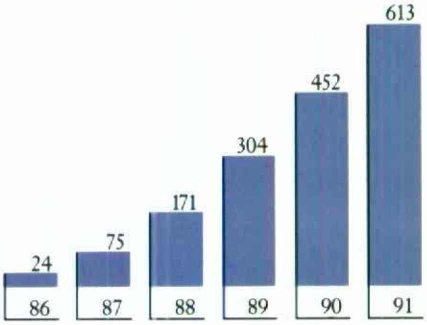
The Olive Garden Posts Strong Sales, Profit Gains

Sales for America's leading Italian dinnerhouse chain increased 36 percent and operating profits grew at a substantially faster rate. The Olive Garden sustained its aggressive expansion pace, opening 53 new restaurants for a year-end total of 253 units in 98 markets in 36 states.

Average sales per unit grew by 2.2 percent to more than $2.7 million and weekly guest counts increased. This strong performance reflected excellent consumer response to new menu items and two systemwide menu events, *Carnival of Venice* and a seasonal summer menu. *Hospitaliano* service and business plans tailored to each restaurant's local market area underscored The Olive Garden's focus on customer satisfaction. In quarterly research studies, consumers continue to rank The Olive Garden first among restaurant chain competitors for food, service, atmosphere, cleanliness and overall dining experience.

In 1992, The Olive Garden plans to add 50 units, including expansion to at least six new market areas.

The Olive Garden USA Sales
Dollars in millions

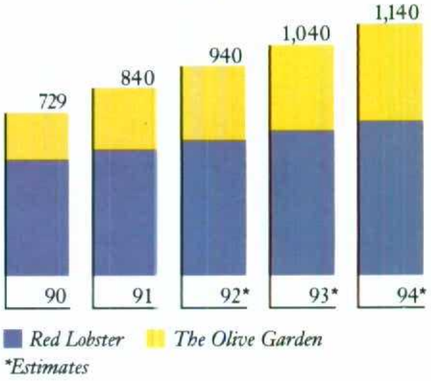


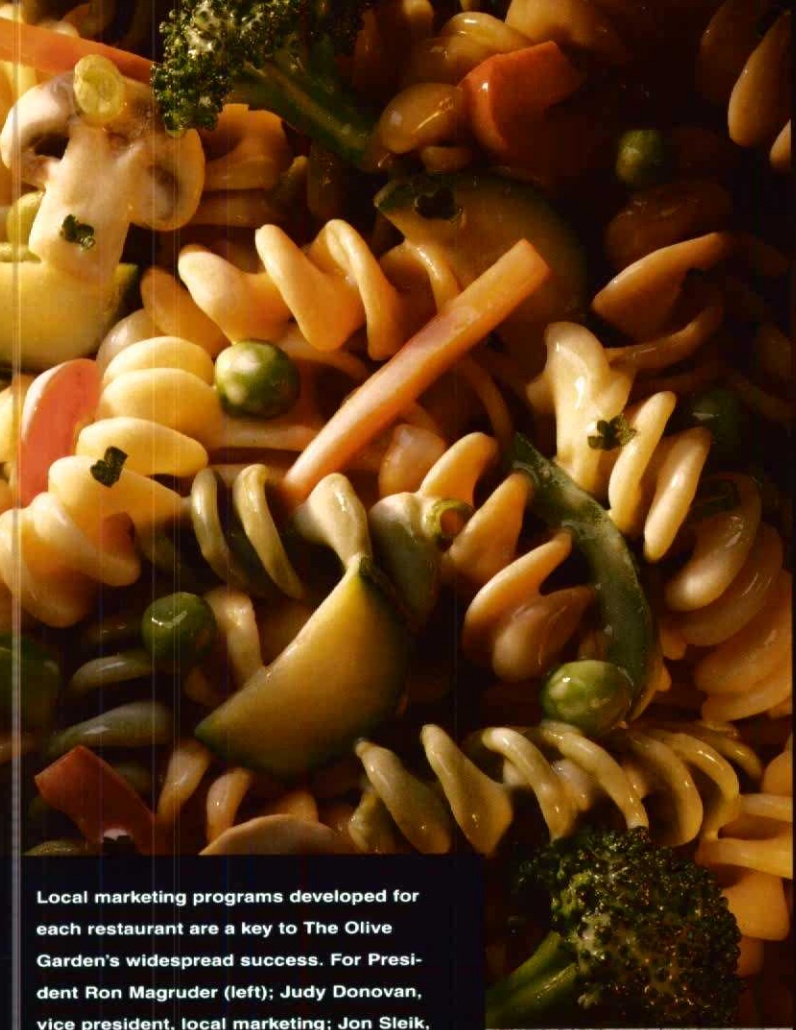
International Restaurant Operations

The Canadian restaurant industry experienced lower sales and customer traffic in 1991 due to a prolonged economic recession and a new 7 percent goods and services tax that covers restaurant meals but not food eaten at home. Red Lobster Canada's profits suffered in this environment, but the chain increased its market share with aggressive marketing of high-value product promotions. The Olive Garden made good progress in its second year toward becoming Canada's leading Italian dinnerhouse, but results were below target. In 1992, Red Lobster plans to add three units for a total of 71, and remodel 32 restaurants. The Olive Garden plans to add up to 11 units on its base of 19.

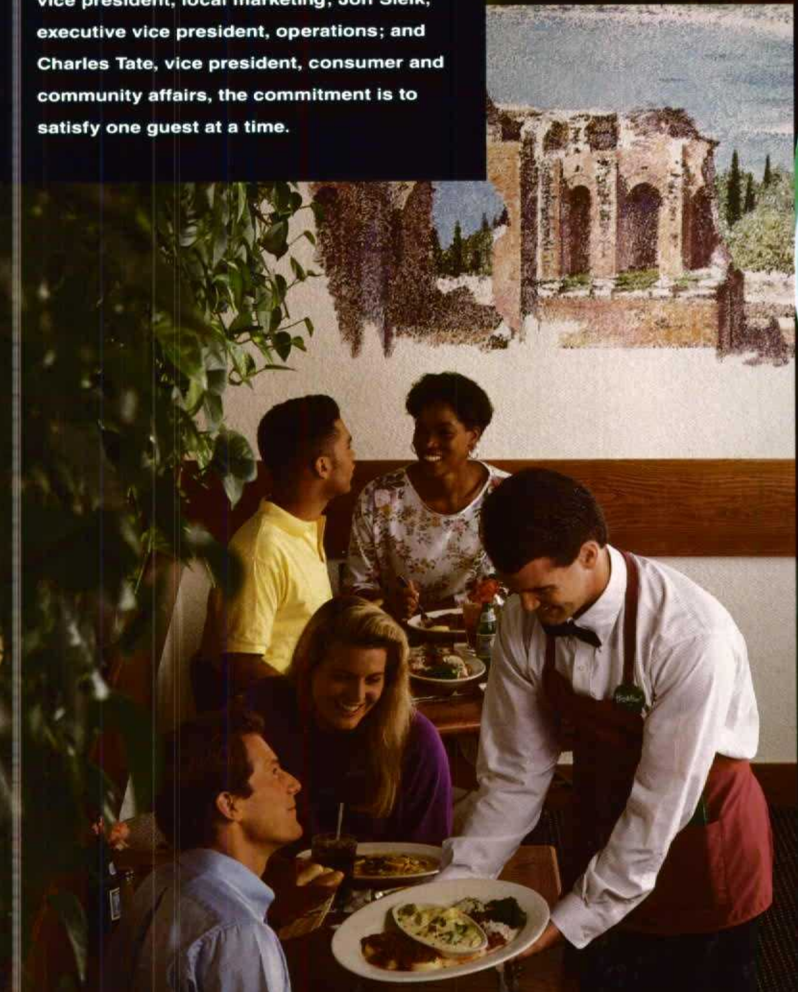
Red Lobster Japan, a partnership venture with the Japanese retailer JUSCO, achieved unit-level profitability in 1991. There were 46 units open in the Tokyo market at year end; the target for 1992 is 51.

Restaurant Unit Expansion North America





Local marketing programs developed for each restaurant are a key to The Olive Garden's widespread success. For President Ron Magruder (left); Judy Donovan, vice president, local marketing; Jon Sleik, executive vice president, operations; and Charles Tate, vice president, consumer and community affairs, the commitment is to satisfy one guest at a time.



Reatha Clark King (left), president and executive director, The General Mills Foundation; and Connie Schilling, manager, corporate volunteerism and community service. In 1991, General Mills was one of only two corporations to receive a President's Volunteer Action Award, regarded as the nation's most prestigious award for community service.

General Mills is committed to leadership performance as a corporate citizen. This goal encompasses commitments to employees, consumers and the communities where we operate. **Commitment to Employees** We are dedicated to providing employees with a motivating work environment that helps them do their best. For example, Red Lobster's Quality of Life program mandates a maximum five-day work week for managers and The Olive Garden hires managers locally so they can stay in their communities. Both programs are unusual for chain restaurants. General Mills sponsors various health- and wellness-related programs companywide, including a new fitness center opened during 1991 in our Minneapolis headquarters.

The percentage of General Mills employees who are women or minorities increased in 1991, one measure of our commitment to foster workforce diversity. At Red Lobster, more than 1,000 developmentally disabled employees contributed to the year's success.

Commitment to Consumers We strive to provide competitively superior products and services that meet consumers' needs for nutrition, convenience, variety and value. Our advertising standards call for presenting products and services truthfully, responsibly and with good taste, using special care in ads seen primarily by children.

General Mills is dedicated to protecting the environment. Currently, 98 percent of our dry grocery product cartons are made of recycled paperboard. Numerous recycling and waste reduction programs are in place companywide.

Community Involvement General Mills is a long-term, active partner in its communities and in 1991 we devoted the equivalent of 2.9 percent of domestic pre-tax income (over $20 million) to charitable activities. In April, the high level of community involvement and voluntary service by General Mills people companywide was recognized by President Bush with a President's Volunteer Action Award. Our citizenship activities and a complete listing of 1991 grants by The General Mills Foundation are summarized in the General Mills Corporate Citizenship Report. For a copy, write to: General Mills Foundation/Community Affairs, P.O. Box 1113, Minneapolis, MN 55440.

Nearly 1,200 General Mills employees and retirees served as volunteers during the 1991 Special Olympic Games, held in Minneapolis-St. Paul in July. Red Lobster and General Mills together donated $500,000 as major sponsors of the Games.

Consolidated Statements of Earnings

Amounts in Millions, Except per Share Data	***May 26, 1991***	*Fiscal Year Ended* *May 27, 1990*	*May 28, 1989*
Continuing Operations:			
Sales	**$7,153.2**	$6,448.3	$5,620.6
Costs and Expenses:			
Cost of sales	**3,722.1**	3,485.1	3,114.8
Selling, general and administrative	**2,386.0**	2,138.0	1,808.5
Depreciation and amortization	**218.4**	180.1	152.3
Interest, net	**61.1**	32.4	27.5
Total Costs and Expenses	**6,387.6**	5,835.6	5,103.1
Earnings from Continuing Operations before Taxes	**765.6**	612.7	517.5
Income Taxes	**301.4**	239.0	202.2
Earnings from Continuing Operations	**464.2**	373.7	315.3
Discontinued Operations after Taxes	**8.5**	7.7	169.0
Cumulative Effect to May 30, 1988 of Accounting Change	**—**	—	(70.0)
Net Earnings	**$ 472.7**	$ 381.4	$ 414.3
Earnings per Share:			
Continuing operations	**$ 2.82**	$ 2.27	$ 1.92
Discontinued operations	**.05**	.05	1.03
Cumulative effect of accounting change	**—**	—	(.42)
Net Earnings per Share	**$ 2.87**	$ 2.32	$ 2.53
Average Number of Common Shares	**164.5**	164.4	163.9

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

In Millions	***May 26, 1991***	*May 27, 1990*
Assets		
Current Assets:		
Cash and cash equivalents	**$ 39.8**	$ .7
Time deposits	**—**	70.1
Receivables, less allowance for doubtful accounts of $6.0 in 1991 and 1990	**306.3**	258.7
Inventories	**493.6**	394.4
Prepaid expenses and other current assets	**98.5**	74.9
Deferred income taxes	**144.1**	111.3
Total Current Assets	**1,082.3**	910.1
Land, Buildings and Equipment, at cost	**2,241.3**	1,934.5
Other Assets	**578.2**	444.9
Total Assets	**$3,901.8**	$3,289.5
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	**$ 578.7**	$ 518.2
Current portion of long-term debt	**129.0**	80.3
Notes payable	**23.4**	103.3
Accrued taxes	**159.2**	128.7
Accrued payroll	**154.7**	136.1
Other current liabilities	**227.4**	206.6
Total Current Liabilities	**1,272.4**	1,173.2
Long-term Debt	**879.0**	688.5
Deferred Income Taxes	**239.4**	203.4
Deferred Income Taxes – Tax Leases	**215.8**	224.2
Accrued Postretirement Benefits	**109.5**	109.2
Other Liabilities and Deferred Credits	**72.2**	81.3
Total Liabilities	**2,788.3**	2,479.8
Stockholders' Equity:		
Cumulative preference stock, none issued	**—**	—
Common stock, 204.2 shares issued	**320.2**	297.1
Retained earnings	**1,795.5**	1,530.6
Less common stock in treasury, at cost, shares of 39.1 in 1991 and 41.0 in 1990	**(777.4)**	(812.7)
Unearned ESOP and restricted stock compensation	**(177.6)**	(164.7)
Cumulative foreign currency adjustment	**(47.2)**	(40.6)
Total Stockholders' Equity	**1,113.5**	809.7
Total Liabilities and Stockholders' Equity	**$3,901.8**	$3,289.5

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

		Fiscal Year Ended	
In Millions	***May 26, 1991***	*May 27, 1990*	*May 28, 1989*
Cash Flows – Operating Activities:			
Earnings from continuing operations	**$464.2**	$373.7	$315.3
Adjustments to reconcile earnings to cash flow:			
Depreciation and amortization	**218.4**	180.1	152.3
Deferred income taxes	**.9**	12.5	24.1
Change in current assets and liabilities*	**(96.7)**	113.3	53.1
Other, net	**(38.2)**	(22.5)	(17.5)
Cash provided by continuing operations	**548.6**	657.1	527.3
Cash used by discontinued operations, including related income taxes	**(4.2)**	(29.3)	(171.4)
Net Cash Provided by Operating Activities	**544.4**	627.8	355.9
Cash Flows – Investing Activities:			
Purchases of land, buildings and equipment	**(554.6)**	(540.0)	(442.4)
Investments in businesses, intangibles and affiliates	**(91.6)**	(.5)	(7.8)
Cash provided by disposal of land, buildings and equipment	**9.8**	12.1	8.9
Proceeds from dispositions	**114.6**	32.6	593.6
Other, net	**(33.9)**	(34.4)	(2.1)
Net Cash Provided (Used) by Investing Activities	**(555.7)**	(530.2)	150.2
Cash Flows – Financing Activities:			
Decrease in notes payable	**(80.0)**	(24.5)	(242.1)
Issuance of long-term debt	**373.0**	142.4	195.2
Payment of long-term debt	**(132.8)**	(60.7)	(17.4)
(Increase) decrease in marketable investments and time deposits	**67.7**	(.6)	(112.6)
Cash flows from tax leases	**(8.4)**	(2.3)	(4.1)
Purchases of common stock for treasury	**—**	(149.9)	(189.2)
Common stock issued	**41.5**	168.9	14.5
Dividends paid	**(210.6)**	(180.8)	(154.4)
Net Cash Provided (Used) by Financing Activities	**50.4**	(107.5)	(510.1)
Increase (Decrease) in Cash and Cash Equivalents	**$ 39.1**	$ (9.9)	$ (4.0)

*Cash Flow from Changes in Current Assets and Liabilities:			
Receivables	**$ (47.4)**	$ (1.5)	$ (34.5)
Inventories	**(109.8)**	(22.4)	40.6
Prepaid expenses and other current assets	**(19.0)**	(6.6)	(17.4)
Accounts payable	**63.1**	79.1	(4.9)
Other current liabilities	**16.4**	64.7	69.3
Change in Current Assets and Liabilities	**$ (96.7)**	$113.3	$ 53.1

See accompanying notes to consolidated financial statements.

Note One: Summary of Significant Accounting Policies

A. *Principles of Consolidation*

The consolidated financial statements include the following domestic and foreign operations: parent company and 100% owned subsidiaries; and General Mills' investment in and share of net earnings or losses of 20-50% owned companies.

Our fiscal year ends on the last Sunday in May. Fiscal years 1991, 1990 and 1989 each consisted of 52 weeks.

B. *Land, Buildings, Equipment and Depreciation*

Buildings and equipment are depreciated over estimated useful lives ranging from three to 50 years, primarily using the straight-line method. Accelerated depreciation methods are generally used for income tax purposes.

When an item is sold or retired, the accounts are relieved of cost and the related accumulated depreciation; the resulting gains and losses, if any, are recognized.

C. *Inventories*

Inventories are valued at the lower of cost or market. Certain domestic inventories are valued using the LIFO method, while other inventories are generally valued using the FIFO method.

D. *Intangible Assets*

Goodwill represents the difference between purchase prices of acquired companies and the related fair values of net assets acquired and accounted for by the purchase method of accounting. Any goodwill acquired after October 1970 is amortized on a straight-line basis over 40 years or less.

Intangible assets include an amount that offsets a minimum liability recorded for a pension plan with assets less than accumulated benefits as required by Financial Accounting Standard No. 87.

The costs of patents, copyrights and other intangible assets are amortized evenly over their estimated useful lives. Most of these costs were incurred through purchases of businesses.

The Audit Committee of the Board of Directors annually reviews goodwill and other intangibles. At its meeting on April 22, 1991, the Board of Directors affirmed that the remaining amounts of these assets have continuing value.

E. *Research and Development*

All expenditures for research and development are charged against earnings in the year incurred. The charges for fiscal 1991, 1990 and 1989 were $57.0 million, $48.2 million and $44.8 million, respectively.

F. *Income Taxes*

Income taxes include deferred income taxes that result from timing differences between earnings for financial reporting and tax purposes. Investment tax credits are reflected as reductions of income taxes in the year eligible assets are placed in service.

G. *Earnings per Share*

Earnings per share has been determined by dividing the appropriate earnings by the weighted average number of common shares outstanding during the year. Common share equivalents were not material.

H. *Foreign Currency Translation*

For most foreign operations, local currencies are considered the functional currency. Assets and liabilities are translated using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. Translation effects are accumulated in the foreign currency adjustment in stockholders' equity.

Gains and losses from foreign currency transactions are generally included in net earnings for the period.

We utilize forward foreign exchange contracts to hedge foreign currency exposure related to operating activities and net investments in foreign operations. Realized and unrealized gains and losses on contracts that hedge operating activities are recognized currently in net earnings. Realized and unrealized gains and losses on contracts that hedge net investments are recognized in the foreign currency adjustment in stockholders' equity. At May 26, 1991, we had forward contracts maturing in fiscal 1992 to sell $376.0 million and purchase $8.1 million of foreign currencies.

I. *Statements of Cash Flows*

For purposes of the statement of cash flows, we consider all investments purchased with a maturity of three months or less to be cash equivalents.

Note Two: Discontinued Operations

In fiscal 1990, we sold Vroman Foods, our frozen novelties operation, for proceeds of $24.5 million and adjusted our estimated disposition loss, recording after-tax income of $9.6 million ($.06 per share). This disposition was reflected at an estimated loss of $26.0 million ($.16 per share) in fiscal 1989. This estimated loss was net of after-tax operating losses of $8.2 million and income tax benefit of $15.5 million.

In fiscal 1989, we sold the Specialty Retailing segment of our business, consisting of The Talbots, Inc. and Eddie Bauer, Inc. and its related Canadian assets. We received proceeds of $589.0 million and recognized a gain of $224.4 million ($1.37 per share). This gain was net of after-tax operating losses of $4.9 million and income tax expense of $148.0 million.

Also in fiscal 1989, we discontinued the operation of York Steak House Systems, Inc., our cafeteria-style restaurant operation. This disposition resulted in a loss of $27.3 million ($.17 per share). This loss was net of after-tax operating losses of $6.2 million and income tax benefit of $9.4 million.

Other minor adjustments were made during fiscal 1991, 1990 and 1989 for previously discontinued operations.

Sales for the discontinued operations were $9.5 million and $149.6 million for fiscal 1990 and 1989, respectively.

Note Three: Unusual Items

In fiscal 1991, we recognized gains on the sale of the net assets of our O-Cel-O Division, a cellulose sponge operation, and Lancia Bravo, our Canadian pasta operation. We also recorded charges primarily related to restructuring our Yoplait yogurt and hot oatmeal cereal operations. These transactions resulted in an increase in net earnings of $26.5 million ($.16 per share).

Note Four: Investments in Affiliates and Intangibles

During fiscal 1991, we invested $88.2 million in Cereal Partners Worldwide (CPW), our joint venture with Nestlé S.A. This investment consisted primarily of capital contributions and advances of $70.1 million and our purchase of intangible assets related to RHM Breakfast Cereals (RHM) for $18.1 million. CPW purchased the RHM business in the United Kingdom and also began cereal operations in France, Spain and Portugal.

Note Five: Inventories

The components of inventories are as follows:

In Millions	***May 26, 1991***	*May 27, 1990*
Raw materials, work in process and supplies	**$227.4**	$194.4
Finished goods	**274.6**	226.4
Grain	**67.5**	45.0
Reserve for LIFO valuation method	**(75.9)**	(71.4)
Total inventories	**$493.6**	$394.4

At May 26, 1991 and May 27, 1990, respectively, inventories of $241.4 million and $176.5 million were valued at LIFO. If the FIFO method of inventory accounting had been used in place of LIFO, reported earnings per share would have been higher by $.02 in fiscal 1991 and 1990, and $.05 in fiscal 1989.

Note Six: Balance Sheet Information

The components of certain balance sheet items are as follows:

In Millions	***May 26, 1991***	*May 27, 1990*
Land, Buildings and Equipment:		
Land	**$ 215.2**	$ 172.5
Buildings	**1,116.6**	938.8
Equipment	**1,701.6**	1,397.0
Construction in progress	**303.7**	374.9
Total land, buildings and equipment	**3,337.1**	2,883.2
Less accumulated depreciation	**(1,095.8)**	(948.7)
Net land, buildings and equipment	**$2,241.3**	$1,934.5
Other Assets:		
Prepaid pension	**$ 173.5**	$ 133.1
Marketable investments, at cost	**167.9**	164.2
Intangible assets	**79.2**	64.4
Investments in and advances to affiliates	**70.2**	16.3
Miscellaneous	**87.4**	66.9
Total other assets	**$ 578.2**	$ 444.9

Note Seven: Notes Payable

The components of notes payable are as follows:

In Millions	***May 26, 1991***	*May 27, 1990*
U.S. commercial paper	**$ 70.0**	$ 46.0
Canadian commercial paper	**83.7**	63.0
Banks	**19.7**	94.3
Amount reclassified to long-term debt	**(150.0)**	(100.0)
Total notes payable	**$ 23.4**	$103.3

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding commercial paper. As of May 26, 1991, we had $225.0 million fee-paid lines and $221.8 million uncommitted, no-fee lines available in the U.S. and Canada. In addition, other foreign subsidiaries had unused credit lines of $13.9 million.

We have a revolving credit agreement expiring in fiscal 1994 that provides for the fee-paid credit lines. This agreement provides us with the ability to refinance short-term borrowings on a long-term basis, and therefore we have reclassified a portion of our notes payable to long-term.

We have U.S. and Canadian interest rate swap agreements with commercial banks that convert variable interest rates to fixed interest rates as follows:

In Millions		*Notional Amount*	
Expiration Date	*Fixed Rate*	***May 26, 1991***	*May 27, 1990*
June 1994	8.83%	**$ 25.0**	$ 25.0
November 1993	9.53	**74.0**	74.0
May 1992	9.38	**25.0**	25.0
April 1992	9.79	**50.0**	50.0
January 1992	11.04	**26.1**	25.3
August 1991	12.28	**21.8**	—
November 1990	9.39	**—**	25.0
Total notional amount		**$221.9**	$224.3

We have an interest rate swap agreement that converts the fixed interest rate to a variable interest rate on $70.0 million of nine-month commercial paper notes (5.86% at May 26, 1991).

We have a Canadian interest rate agreement expiring in August 1991 that limits our interest rate to between 11.2% and 12.93% on a notional amount of $21.8 million. We have Canadian forward rate agreements that fix the interest rate on a notional amount of $26.1 million at 9.95% from August 1991 to February 1992.

Any interest rate differential on interest rate swaps is recognized as an adjustment of interest expense over the term of the agreement. We are exposed to credit loss in the event of nonperformance by the other parties to these agreements. However, we do not anticipate any losses.

Note Eight: Long-term Debt

In Millions	***May 26, 1991***	*May 27, 1990*
Zero coupon notes, yield 11.14%, $528.7 due August 15, 2013	**$ 48.4**	$ 45.5
9⅜% sinking fund debentures due March 1, 2009	**109.9**	109.9
ESOP loan guaranty, variable rate, due December 31, 2007	**50.0**	50.0
8.31% ESOP loan guaranty, due through June 30, 2007	**89.8**	92.4
Zero coupon notes, yield 11.73%, $67.8 due August 15, 2004	**15.1**	14.4
8.45% to 9.14% medium-term notes, due 1991 to 2006	**391.3**	130.7
Currency purchase obligation, yield 9.29%, due through November 15, 1993	**19.9**	26.6
12% notes due December 19, 1991	**63.7**	63.7
Zero coupon notes, yield 14⅝%, $49.3 due June 30, 1991	**48.7**	42.3
14% Australian dollar notes due July 27, 1990	**–**	70.2
Notes payable, reclassified	**150.0**	100.0
Other, no individual item greater than $3.1	**21.2**	23.1
	1,008.0	768.8
Less amounts due within one year	**(129.0)**	(80.3)
Total long-term debt	**$ 879.0**	$688.5

In fiscal 1991, we filed two debt registration statements with the Securities and Exchange Commission. These shelf registration statements permit the issuance of up to $488.3 million net proceeds in unsecured debt securities to reduce short-term debt and for other general corporate purposes. These registrations authorize a medium-term note program that allows us to issue debt quickly for various amounts and at various rates and maturities.

In fiscal 1991, we issued $310.6 million of debt under our medium-term note program with maturities from three to 15 years and interest rates from 8.46% to 9.14%. In fiscal 1990, $130.7 million of debt was issued under this program with maturities from one to 11 years and interest rates from 8.45% to 9%.

In fiscal 1990, the Employee Stock Ownership Plan (ESOP) for certain employees of General Mills, Inc. borrowed $92.4 million at 8.31%, due in quarterly payments through June 30, 2007. The ESOP for the employees of General Mills Restaurants, Inc. borrowed $50.0 million at a variable interest rate (4.93% at May 26, 1991), due December 31, 2007. The Company guaranteed these debts; therefore, the loans are reflected on our consolidated balance sheet in long-term debt with a related offset in stockholders' equity, "Unearned ESOP and restricted stock compensation."

In fiscal 1989, we entered into a currency purchase obligation to make monthly payments for five years based on 30-day commercial paper rates applied to a notional amount of $100.0 million. We recorded the value of this obligation at $35.5 million based upon a five-year fixed rate of 9.29%. The principal balance will be amortized over the five-year period. The difference between the principal amount amortized and the floating rate payments will be charged to interest expense. The floating rate at May 26, 1991 was 6.26%. The obligation is secured by $26.0 million of corporate commercial paper, which is held under a trust agreement.

We have an interest rate swap agreement that converts the fixed interest rate to a variable interest rate on our 12% notes (6.19% at May 26, 1991).

The sinking fund and principal payments due on long-term debt are (in millions) $129.0, $19.7, $45.3, $23.2 and $58.9 in fiscal years ending 1992, 1993, 1994, 1995 and 1996, respectively. The notes payable that are reclassified under our revolving credit agreement are not included in these principal payments.

Our marketable investments consist of corporate commercial paper and zero coupon U.S. Treasury securities. These investments are intended to provide the funds for the payment of principal and interest for the zero coupon notes due August 15, 2013 and 2004, and the currency purchase obligation.

Certain debt issues have been removed from our consolidated balance sheets through the creation of irrevocable trusts. The principal and interest of the securities deposited with the trustee will be sufficient to fund the scheduled principal and interest payments of these debt issues. At May 26, 1991, there was $65.0 million of this debt outstanding.

Note Nine: Stockholders' Equity

	$.75 Par Value Common Stock (250.0 Million Shares Authorized)							
	Issued		*Treasury*					
In Millions, Except per Share Data	*Shares*	*Amount*	*Shares*	*Amount*	*Retained Earnings*	*Unearned ESOP and Restricted Stock Compensation*	*Cumulative Foreign Currency Adjustment*	*Total*
Balance at May 29, 1988	204.2	$ 223.3	(36.8)	$ (608.2)	$ 1,067.9	$ –	$ (34.5)	$ 648.5
Net earnings					414.3			414.3
Cash dividends declared ($.94 per share)					(154.4)			(154.4)
Stock option and profit sharing plans		(1.0)	.9	15.5				14.5
Shares purchased on open market			(7.1)	(189.2)				(189.2)
Translation adjustments, net of income taxes of $1.8							(1.8)	(1.8)
Balance at May 28, 1989	204.2	222.3	(43.0)	(781.9)	1,327.8	–	(36.3)	731.9
Net earnings					381.4			381.4
Cash dividends declared ($1.10 per share), net of income taxes of $2.2					(178.6)			(178.6)
Stock option, profit sharing and ESOP plans		74.8	6.5	119.1				193.9
Shares purchased on open market			(4.5)	(149.9)				(149.9)
Unearned compensation related to:								
Guaranties of ESOPs debt						(142.4)		(142.4)
Note receivable from ESOP						(25.0)		(25.0)
Earned compensation						2.7		2.7
Translation adjustments, net of income taxes of $7.2							(4.3)	(4.3)
Balance at May 27, 1990	204.2	297.1	(41.0)	(812.7)	1,530.6	(164.7)	(40.6)	809.7
Net earnings					472.7			472.7
Cash dividends declared ($1.28 per share), net of income taxes of $2.8					(207.8)			(207.8)
Stock option, profit sharing and ESOP plans		23.1	1.9	35.3				58.4
Unearned compensation related to:								
Note receivable from ESOP						(10.0)		(10.0)
Restricted stock awards						(8.2)		(8.2)
Earned compensation						5.3		5.3
Translation adjustments, net of income taxes of $1.4							(6.6)	(6.6)
Balance at May 26, 1991	**204.2**	**$320.2**	**(39.1)**	**$(777.4)**	**$1,795.5**	**$(177.6)**	**$(47.2)**	**$1,113.5**

Cumulative preference stock of 5.0 million shares, without par value, is authorized but unissued.

On September 17, 1990, the Board of Directors declared a two-for-one stock split effected in the form of a 100% stock dividend whereby each holder of one share of common stock issued and outstanding at the close of business on October 10, 1990, became entitled to receive one additional share of common stock, payable November 7, 1990. Information throughout these financial statements is restated for the stock split, to present all data on a consistent and comparable basis.

We have a shareholder rights plan that entitles each outstanding share of common stock to one-fourth of a right. Each right entitles the holder to purchase one one-hundredth of a share of cumulative preference stock (or, in certain circumstances, common stock or other securities), exercisable upon the occurrence of certain events. The rights are not transferable apart from the common stock until a person or group has acquired 20% or more, or makes a tender offer for 20% or more, of the common stock. If the Company is then acquired in a merger or other business combination transaction, each right will entitle the holder (other than the acquiring company) to receive, upon exercise, common stock of either the Company or the acquiring company having a value equal to two times the exercise price of the right. The rights are redeemable by the Board in certain circumstances and expire on March 7, 1996. At May 26, 1991, there were 41.3 million rights issued and outstanding.

The Board of Directors has authorized the repurchase, from time to time, of common stock for our treasury, provided that the number of shares in the treasury shall not exceed 50.0 million.

Note Ten: Stock Options

The following table contains information on stock options:

	Shares	Average Option Price per Share
Granted		
1991	**2,931,372**	**$42.50**
1990	2,777,196	34.71
1989	3,268,020	23.46
Exercised		
1991	**1,578,774**	**$16.32**
1990	1,101,120	15.58
1989	1,097,324	10.16
Expired		
1991	**272,910**	**$27.33**
1990	193,458	23.76
1989	311,632	17.72
Outstanding at year-end		
1991	**11,659,276**	**$29.55**
1990	10,579,588	23.93
1989	9,096,970	19.63
Exercisable at year-end		
1991	**7,202,248**	**$24.19**
1990	6,139,424	19.15
1989	4,658,860	15.81

A total of 11,870,872 shares are available for grants of options or restricted stock to officers and key employees under our 1988 and 1990 stock plans through September 30, 1995. The options may be granted subject to approval of the Compensation Committee of the Board of Directors at a price not less than 100% of fair market value on the date the option is granted. Options now outstanding include some granted under the 1980 and 1984 option plans, under which no further options or other rights may be granted. All options expire within 10 years plus one month after the date of grant. The plans provide for full vesting of benefits in the event there is a change of control.

The 1988 plan permits awards of restricted stock to key employees subject to a restricted period and a purchase price, if any, to be paid by the employee as determined by the Committee. In fiscal 1991, grants of 176,970 shares of restricted stock were made and on May 26, 1991, there were 187,732 of such shares outstanding.

The 1988 plan also permits the granting of performance units corresponding to stock options granted. The value of performance units will be determined by return on equity and growth in earnings per share measured against preset goals over three-year performance periods. For seven years after a performance period, holders may elect to receive the value of performance units (with interest) as an alternative to exercising corresponding stock options. On May 26, 1991, there were 4,072,018 outstanding options with corresponding performance units or performance unit accounts.

The 1988 plan provides for the granting of incentive stock options as well as non-qualified options. No incentive stock options have yet been granted.

A total of 68,100 shares are available for grants of options and restricted stock to non-employee directors under a separate 1990 stock plan until September 30, 1995. An option to purchase 2,500 shares is granted upon becoming a member of the Board of Directors at fair market value on the date of grant. Options expire 10 years after the date of grant. Each year 400 shares of restricted stock will be awarded to each non-employee director, restricted until the later of the expiration of one year or completion of service on the Board of Directors.

Note Eleven: Interest Expense

The components of net interest expense are as follows:

	Fiscal Year		
In Millions	***1991***	*1990*	*1989*
Interest expense	**$94.0**	$75.5	$63.7
Capitalized interest	**(9.9)**	(14.2)	(8.4)
Interest income	**(23.0)**	(28.9)	(27.8)
Interest expense, net	**$61.1**	$32.4	$27.5

During fiscal 1991, 1990 and 1989, we actually paid interest (net of amount capitalized) of $64.7 million, $54.6 million and $41.6 million, respectively.

Note Twelve: Retirement Plans

We have defined benefit plans covering most employees. Benefits for salaried employees are based on length of service and final average compensation. The hourly plans include various monthly amounts for each year of credited service. Our funding policy is consistent with the funding requirements of federal law and regulations. Our principal plan covering salaried employees has a provision that any excess pension assets would be vested in plan participants if the plan is terminated within five years of a change in control. Plan assets consist principally of listed equity securities and corporate obligations, and U.S. government bonds.

Components of the net pension credit are as follows:

In Millions	*Fiscal Year* **1991**	*1990*	*1989*
Service cost—benefits earned	**$ 12.8**	$ 13.0	$ 11.1
Interest cost on projected benefit obligation	**49.4**	46.1	42.5
Actual return on plan assets	**(70.6)**	(84.8)	(122.9)
Net amortization and deferral	**(26.1)**	(8.8)	33.7
Net pension credit	**$(34.5)**	$(34.5)	$(35.6)

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the benefit obligations were 9.73% and 6% in fiscal 1991, and 10.21% and 6% in fiscal 1990, respectively. The expected long-term rate of return on assets was 11.35%.

The funded status of the plans and the amount recognized on the consolidated balance sheets (as determined as of May 31, 1991 and 1990) are as follows:

	May 26, 1991		*May 27, 1990*	
In Millions	***Assets Exceed Accumulated Benefits***	***Accumulated Benefits Exceed Assets***	*Assets Exceed Accumulated Benefits*	*Accumulated Benefits Exceed Assets*
Actuarial present value of benefit obligations:				
Vested benefits	**$425.4**	**$ 7.7**	$394.3	$ 6.4
Nonvested benefits	**37.4**	**3.3**	37.3	2.1
Accumulated benefit obligation	**462.8**	**11.0**	431.6	8.5
Projected benefit obligation	**526.1**	**17.5**	487.5	15.4
Plan assets at fair value	**786.7**	**–**	756.9	–
Plan assets in excess of (less than) the projected benefit obligation	**260.6**	**(17.5)**	269.4	(15.4)
Unrecognized prior service cost	**26.9**	**.5**	28.8	.5
Unrecognized net loss	**67.6**	**4.9**	35.2	2.0
Recognition of minimum liability	**–**	**(9.6)**	–	(7.8)
Unrecognized transition (asset) liability	**(181.6)**	**10.7**	(200.3)	11.7
Prepaid (accrued) pension cost	**$173.5**	**$(11.0)**	$133.1	$ (9.0)

We have defined contribution plans covering salaried and non-union employees. Contributions are determined by matching a percentage of employee contributions. Such plans had net assets of $580.4 million at May 31, 1991. Expense recognized in fiscal 1991, 1990 and 1989 was $16.1 million, $18.8 million and $9.8 million, respectively. In fiscal 1991, an Employee Stock Ownership Plan (ESOP) was created within an existing defined contribution plan for certain nonunion plant employees of General Mills, Inc. The ESOP borrowed $10.0 million from the Company at a variable interest rate (6.18% at May 26, 1991) due June 15, 2015, and purchased 253,928 shares of common stock from the Company's treasury. In fiscal 1990, ESOPs borrowed $142.4 million as described in the long-term debt footnote and $25.0 million from the Company at a variable interest rate (6.18% at May 26, 1991) due December 15, 2014. These funds were used to purchase 5,386,050 shares of common stock from the Company's treasury. Compensation expense is recognized as contributions are accrued. Our contributions to the plans, plus the dividends accumulated on the common stock held by the ESOPs, will be used to pay principal, interest and expenses of the plans. As loan payments are made, common stock is allocated to ESOP participants. In fiscal 1991 and 1990, the ESOPs incurred interest expense of $13.4 million and $12.1 million, used dividends received of $6.4 million and $5.4 million to pay principal and interest on their debt, and received contributions from the Company of $12.1 million and $11.7 million, respectively.

Note Thirteen: Other Postretirement Benefits

We sponsor a variety of plans that provide health care benefits to the majority of our retirees. Some of these plans require contributions from the retirees. While we do not fund these plans on an annual basis, in fiscal 1991 and 1990 we contributed $4.0 million and $19.8 million, respectively, to a trust for the benefit of certain employees and retirees.

During fiscal 1989, we changed our method of accounting for these costs from the pay-as-you-go basis to accruing the expected cost of providing benefits to a retiree and covered dependents during the employee's related service period. Accrual accounting was adopted to recognize matching of costs incurred to the period in which service is rendered by the employee. The cumulative effect as of May 30, 1988 of changing to the accrual basis was a decrease in net earnings of $70.0 million ($.42 per share).

We recognized health care benefit costs of $11.1 million, $12.2 million and $12.0 million in fiscal 1991, 1990 and 1989, respectively.

Note Fourteen: Profit-sharing Plans

We have profit-sharing plans to provide incentives to key individuals who have the greatest potential to contribute to current earnings and successful future operations. These plans were approved by the Board of Directors upon recommendation of the Compensation Committee. The awards under these plans depend on profit performance in relation to pre-established goals. The plans are administered by the Compensation Committee, which consists solely of outside directors. Profit-sharing expense, including performance unit accruals, was $11.0 million in fiscal 1991, $11.2 million in fiscal 1990 and $11.1 million in fiscal 1989.

Note Fifteen: Income Taxes

The components of earnings before income taxes and the income taxes thereon are as follows:

	Fiscal Year		
In Millions	***1991***	*1990*	*1989*
Earnings before income taxes:			
U.S.	**$710.4**	$584.9	$482.1
Foreign	**55.2**	27.8	35.4
Total earnings before income taxes	**$765.6**	$612.7	$517.5
Income taxes:			
Current:			
Federal	**$238.3**	$183.8	$145.3
State and local	**49.9**	37.6	23.5
Foreign	**12.3**	5.1	9.3
Total current	**300.5**	226.5	178.1
Deferred (principally U.S.)	**.9**	12.5	24.1
Total income taxes	**$301.4**	$239.0	$202.2

During fiscal 1991, 1990 and 1989, we paid income taxes of $257.7 million, $231.3 million and $240.2 million, respectively.

In prior years we purchased certain income tax items from other companies through tax lease transactions. Total current income taxes charged to earnings in fiscal 1991, 1990 and 1989 reflect the amounts attributable to operations and have not been materially affected by these tax leases. Actual current taxes payable on fiscal 1991, 1990 and 1989 operations were increased by approximately $9 million, $4 million and $5 million, respectively, due to the effect of tax leases. These tax payments do not affect taxes for statement of earnings purposes since they repay tax benefits realized in prior years. The repayment liability is classified as "Deferred Income Taxes – Tax Leases."

Deferred income taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The tax effects of these differences follow:

	Fiscal Year		
In Millions	***1991***	*1990*	*1989*
Depreciation	**$10.8**	$13.8	$10.9
Prepaid pension asset	**16.1**	14.8	18.2
Interest	**1.1**	8.8	(1.3)
Accrued expenses	**(28.0)**	(30.6)	(2.7)
Other	**.9**	5.7	(1.0)
Total deferred income taxes	**$ .9**	$12.5	$24.1

In addition, we had a deferred income tax benefit of $45.7 million resulting from the cumulative effect of the accounting change for postretirement benefits in fiscal 1989.

The following table reconciles the U.S. statutory income tax rate with the effective income tax rate:

	Fiscal Year		
	1991	*1990*	*1989*
U.S. statutory rate	**34.0%**	34.0%	34.0%
State and local income taxes, net of federal tax benefits	**4.3**	4.2	3.6
Other, net	**1.1**	.8	1.5
Effective income tax rate	**39.4%**	39.0%	39.1%

Provision has been made for foreign and U.S. taxes that would be payable on foreign operations' earnings that are not considered permanently reinvested. Additional income taxes have not been provided on unremitted earnings of foreign operations amounting to $136.5 million that are expected by management to be permanently reinvested. If a portion were to be remitted, income tax credits would substantially offset any resulting tax liability.

Note Sixteen: Leases

An analysis of rent expense by property leased follows:

	Fiscal Year		
In Millions	***1991***	*1990*	*1989*
Restaurant space	**$27.8**	$22.9	$17.2
Warehouse space	**11.8**	9.7	8.1
Office space	**4.2**	4.7	5.0
Transportation equipment	**2.1**	2.4	2.2
Other	**4.4**	3.6	3.1
Total rent expense	**$50.3**	$43.3	$35.6

Some leases require payment of property taxes, insurance and maintenance costs in addition to the rent payments. Contingent and escalation rent in excess of minimum rent payments and sublease income netted in rent expense were insignificant.

Noncancelable future lease commitments are (in millions) $47.2 in 1992, $43.7 in 1993, $38.7 in 1994, $36.8 in 1995, $32.9 in 1996 and $222.6 after 1996, with a cumulative total of $421.9.

Note Seventeen: Segment Information

In Millions	*Consumer Foods*	*Restaurants*	*Unallocated Corporate Items (a)*	*Consolidated Total*
Sales				
1991	**$4,939.7**	**$2,213.5**		**$7,153.2**
1990	4,520.3	1,928.0		6,448.3
1989	3,998.7	1,621.9		5,620.6
Operating Profits				
1991	**689.5(b)**	**172.2**	**$ (96.1)**	**765.6**
1990	533.9	154.2	(75.4)	612.7
1989	452.4	127.7	(62.6)	517.5
Identifiable Assets (c)				
1991	**2,189.2**	**1,256.4**	**456.2**	**3,901.8**
1990	1,834.2	1,038.2	417.1	3,289.5
1989	1,571.6	862.2	454.3	2,888.1
Capital Expenditures				
1991	**277.6**	**273.0**	**4.0**	**554.6**
1990	298.2	239.1	2.7	540.0
1989	254.1	182.9	5.4	442.4
Depreciation Expense				
1991	**131.7**	**79.7**	**2.0**	**213.4**
1990	110.2	64.2	1.7	176.1
1989	96.0	51.3	1.5	148.8

	U.S.A.	*Foreign*	*Unallocated Corporate Items (a)*	*Consolidated Total*
Sales				
1991	**$6,376.8**	**$776.4**		**$7,153.2**
1990	5,796.1	652.2		6,448.3
1989	5,071.2	549.4		5,620.6
Operating Profits				
1991	**805.8(b)**	**55.9(b)**	**$ (96.1)**	**765.6**
1990	655.9	32.2	(75.4)	612.7
1989	543.0	37.1	(62.6)	517.5
Identifiable Assets (c)				
1991	**3,001.5**	**444.1**	**456.2**	**3,901.8**
1990	2,543.3	329.1	417.1	3,289.5
1989	2,181.1	252.7	454.3	2,888.1

(a) Corporate expenses reported here include net interest expense and general corporate expenses.

(b) Consumer Foods operating profits include a net gain of $48.2 million (U.S.A. $20.9 million; Foreign $27.3 million) for unusual items described in note three.

(c) Identifiable assets for our segments consist mainly of receivables, inventories, prepaid expenses, net land, buildings and equipment, intangible assets and investments, and miscellaneous assets. Corporate identifiable assets consist mainly of cash, cash equivalents, time deposits, deferred income taxes, marketable investments and net assets of discontinued operations.

Note Eighteen: Quarterly Data (unaudited)

Summarized quarterly data for fiscal 1991 and 1990 follows:

In Millions, Except per Share and Market Price Amounts	*First Quarter*		*Second Quarter*		*Third Quarter*		*Fourth Quarter*		*Total Year*	
	1991	*1990*	***1991***	*1990*	***1991***	*1990*	***1991***	*1990*	***1991***	*1990*
Sales	**$1,739.5**	$1,501.8	**$1,836.8**	$1,626.6	**$1,747.6**	$1,612.2	**$1,829.3**	$1,707.7	**$7,153.2**	$6,448.3
Gross profit (a)	**828.5**	696.5	**874.1**	752.9	**870.5**	736.4	**858.0**	777.4	**3,431.1**	2,963.2
Earnings after taxes — Continuing operations	**123.8**	107.2	**118.2(b)**	91.4	**131.3(c)**	99.8	**90.9**	75.3	**464.2**	373.7
Earnings per share — Continuing operations	**.75**	.65	**.72**	.55	**.80**	.61	**.55**	.46	**2.82**	2.27
Discontinued operations after taxes	**5.7**	7.7	**—**	—	**2.8**	—	**—**	—	**8.5**	7.7
Net earnings	**129.5**	114.9	**118.2**	91.4	**134.1**	99.8	**90.9**	75.3	**472.7**	381.4
Net earnings per share	**.79**	.70	**.72**	.55	**.81**	.61	**.55**	.46	**2.87**	2.32
Dividends per share	**.32**	.275	**.32**	.275	**.32**	.275	**.32**	.275	**1.28**	1.10
Market price of common stock:										
High	**47½**	35⅞	**45⅜**	36⅞	**54¾**	38⅜	**60⅞**	39⅝	**60⅞**	39⅝
Low	**37⅞**	32	**39½**	33¼	**43½**	31½	**52⅛**	31⅜	**37⅞**	31⅜

(a) Before charges for depreciation.

(b) Includes a net after-tax gain of $9.2 million ($.06 per share) from the sale of our Lancia Bravo pasta operation and a restructuring charge for Yoplait yogurt operations.

(c) Includes a net after-tax gain of $17.3 million ($.10 per share) from the sale of our O-Cel-O sponge operation and restructuring charges primarily for hot cereal operations.

Independent Auditors' Report

The Stockholders and the Board of Directors of
General Mills, Inc.:

We have audited the accompanying consolidated balance sheets of General Mills, Inc. and subsidiaries as of May 26, 1991 and May 27, 1990, and the related consolidated statements of earnings and cash flows for each of the fiscal years in the three-year period ended May 26, 1991. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Mills, Inc. and subsidiaries as of May 26, 1991 and May 27, 1990, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended May 26, 1991 in conformity with generally accepted accounting principles.

As described in note thirteen to the consolidated financial statements, the Company changed its method of accounting for postretirement benefit costs in fiscal 1989.

KPMG Peat Marwick

Minneapolis, Minnesota
June 27, 1991

Eleven Year Financial Summary as Reported

Amounts in Millions, Except per Share Data	***May 26, 1991***	*May 27, 1990*	*May 28, 1989*	*May 29, 1988*	*May 31, 1987*	*May 25, 1986*	*May 26, 1985*	*May 27, 1984*	*May 29, 1983*	*May 30, 1982*	*May 31, 1981*
Financial Results											
Earnings (loss) per share (a)	**$ 2.87**	$ 2.32	$ 2.53	$ 1.63	$ 1.25	$ 1.03	$ (.41)	$ 1.24	$ 1.22	$ 1.11	$ .98
Return on average equity	**49.2%**	49.5%	60.0%	41.1%	31.4%	21.5%	(6.5)%	19.0%	19.9%	19.1%	18.2%
Dividends per share (a)	**1.28**	1.10	.94	.80	.625	.565	.56	.51	.46	.41	.36
Sales (b)	**7,153.2**	6,448.3	5,620.6	5,178.8	5,189.3	4,586.6	4,285.2	5,600.8	5,550.8	5,312.1	4,852.4
Costs and expenses:											
Cost of sales (b)	**3,722.1**	3,485.1	3,114.8	2,847.8	2,834.0	2,563.9	2,474.8	3,165.9	3,123.3	3,081.6	2,936.9
Selling, general and administrative (b)	**2,386.0**	2,138.0	1,808.5	1,710.5	1,757.5	1,547.2	1,443.9	1,841.7	1,831.6	1,635.5	1,384.0
Depreciation and amortization (b)	**218.4**	180.1	152.3	140.0	131.7	113.1	110.4	133.1	127.5	113.2	99.5
Interest (b)(c)	**61.1**	32.4	27.5	37.7	32.9	38.8	60.2	61.4	58.7	75.1	57.6
Earnings before income taxes (b)	**765.6**	612.7	517.5	442.8	433.2	323.6	195.9(d)	398.7	409.7	406.7	374.4
Net earnings (loss)	**472.7**	381.4	414.3(e)	283.1	222.0	183.5	(72.9)(f)	233.4	245.1	225.5	196.6
Net earnings (loss) as a percent of sales	**6.6%**	5.9%	7.4%	5.5%	4.3%	4.0%	(1.7)%	4.2%	4.4%	4.2%	4.1%
Weighted average number of common shares (a)	**164.5**	164.4	163.9	174.0	177.5	178.5	179.0	187.5	200.4	202.4	201.5
Taxes (income, payroll, property, etc.) per share (a)(b)	**2.77**	2.29	1.98	1.66	1.80	1.33	1.00	1.56	1.43	1.47	1.40
Financial Position											
Total assets	**3,901.8**	3,289.5	2,888.1	2,671.9	2,280.4	2,086.2	2,662.6	2,858.1	2,943.9	2,701.7	2,301.3
Land, buildings and equipment, net	**2,241.3**	1,934.5	1,588.1	1,376.4	1,249.5	1,084.9	956.0	1,229.4	1,197.5	1,054.1	920.6
Working capital at year end	**(190.1)**	(263.1)	(197.1)	(205.5)	(57.1)	41.6	229.4	244.5	235.6	210.7	337.3
Long-term debt, excluding current portion	**879.0**	688.5	536.3	361.5	285.5	458.3	449.5	362.6	464.0	331.9	348.6
Stockholders' equity	**1,113.5**	809.7	731.9	648.5	730.4	682.5	1,023.3	1,224.6	1,227.4	1,232.2	1,145.4
Stockholders' equity per share (a)	**6.74**	4.96	4.54	3.88	4.14	3.81	5.76	6.76	6.42	6.13	5.69
Other Statistics											
Cash provided by operations (b)	**548.6**	657.1	527.3	329.9	442.9	466.5	150.4	236.1	438.8	280.2	345.0
Total dividends	**210.6**	180.8	154.4	139.3	110.8	100.9	100.4	96.0	92.7	82.3	72.3
Gross capital expenditures (g)	**554.6**	540.0	442.4	410.7	329.1	244.9	209.7	282.4	308.0	287.3	246.6
Research and development (b)	**57.0**	48.2	41.2	40.7	38.3	41.7	38.7	63.5	60.6	53.8	45.4
Advertising media expenditures (b)	**419.6**	394.9	336.5	345.9	330.0	317.0	274.3	349.6	336.2	284.9	222.0
Wages, salaries and employee benefits (b)	**1,331.6**	1,171.5	987.1	911.3	958.6	895.8	860.2	1,121.6	1,115.2	1,028.4	907.0
Number of employees (b)	**108,077**	97,238	83,837	74,453	65,619	62,056	63,162	80,297	81,186	75,893	71,225
Accumulated LIFO reserve	**75.9**	71.4	65.5	53.0	51.5	45.8	47.5	79.7	79.7	75.5	73.7
Common stock price range (a)	**60⅞**	39⅝	33⅞	31	28	20	15⅛	14¼	14⅜	10½	8⅞
	37⅞	31⅜	22⅜	20⅜	18½	13	11⅞	10⅜	9⅝	8⅛	5⅞

(a) Years prior to fiscal 1991 have been adjusted for the two-for-one stock splits in November 1990 and 1986.

(b) Includes continuing operations only; years prior to fiscal 1989 include the discontinued cafeteria-style restaurant and frozen novelties operations, years prior to fiscal 1988 include the discontinued specialty retailing apparel operations, years prior to fiscal 1987 include the discontinued furniture operations, and years prior to fiscal 1985 include the discontinued toy, fashion and specialty retailing non-apparel operations.

(c) Interest expense is net of interest income; amounts for years prior to fiscal 1986 are interest expense only with interest income included in selling, general and administrative expenses.

(d) Includes pretax redeployment charge of $75.8 million.

(e) Includes after-tax discontinued operations income of $169.0 million and cumulative effect of accounting change charge of $70.0 million.

(f) Includes after-tax discontinued operations charge of $188.3 million.

(g) Includes capital expenditures of continuing operations and discontinued operations through the date disposition was authorized.

Financial Data For Continuing Operations

Amounts in Millions, Except per Share Data	***May 26, 1991***	*May 27, 1990*	*May 28, 1989*	*May 29, 1988*	*May 31, 1987*
	Fiscal Year Ended				
Sales	**$7,153.2**	$6,448.3	$5,620.6	$4,979.6	$4,510.1
Earnings after taxes	**464.2**	373.7	315.3	282.2	215.2
Earnings per share	**2.82**	2.27	1.92	1.62	1.21

Board of Directors

H. Brewster Atwater, Jr.

Minneapolis; Chairman of the Board and Chief Executive Officer, General Mills, Inc. (1*)

F. Caleb Blodgett

Minneapolis; Vice Chairman of the Board, Chief Financial and Administrative Officer, General Mills, Inc. (1)

Richard M. Bressler

Seattle, Washington; Chairman of the Board, Plum Creek Timber Company and El Paso Natural Gas Company (natural resources) (1,2,3*,5)

Livio D. DeSimone

St. Paul; Chairman of the Board and Chief Executive Officer-elect, 3M Company (diversified manufacturer) (2,4)

William T. Esrey

Kansas City, Missouri; Chairman, President and Chief Executive Officer, United Telecommunications; Chairman and Chief Executive Officer, US Sprint Communications Company Limited Partnership (telecommunications systems) (4,5)

N. Bud Grossman†

Minneapolis; Chief Executive Officer, Cogel Management Co. (private investment and business development company) (1,3,4,6*)

Judith Richards Hope

Washington, DC; Senior Partner and Member of the Executive Committee, Paul, Hastings, Janofsky & Walker, Attorneys (2,6)

Joe R. Lee

Minneapolis; Executive Vice President-Finance, General Mills, Inc.

Lewis W. Lehr†

St. Paul; Retired Chairman of the Board and Chief Executive Officer, 3M Company (diversified manufacturer) (1,2,3,5*)

Gwendolyn A. Newkirk

Lincoln, Nebraska; Professor and Chairman, Department of Consumer Science and Education, University of Nebraska (4,6)

William F. Pounds†

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George Putnam

Boston, Massachusetts; Chairman of the Board, The Putnam Management Company, Inc. (investment management) (1,4*,5,6)

Michael D. Rose

Memphis, Tennessee; Chairman of the Board and Chief Executive Officer, The Promus Companies Incorporated (hospitality company) (2*,3,4)

Arthur R. Schulze

Minneapolis; Vice Chairman, General Mills, Inc.

Mark H. Willes

Minneapolis; President and Chief Operating Officer, General Mills, Inc. (1)

C. Angus Wurtele

Minneapolis; Chairman of the Board and Chief Executive Officer, Valspar Corporation (paints and coatings) (3,5,6)

Committees of the Board of Directors (*) Denotes Committee Chair (1) Executive Committee (2) Audit Committee (3) Compensation Committee (4) Finance Committee (5) Nominating Committee (6) Public Responsibility Committee

† Retiring September 15, 1991

Corporate Officers

H. Brewster Atwater, Jr.
Chairman of the Board and Chief Executive Officer

F. Caleb Blodgett
Vice Chairman of the Board, Chief Financial and Administrative Officer

Mark H. Willes
President and Chief Operating Officer

Arthur R. Schulze
Vice Chairman

Charles W. Gaillard
Executive Vice President;
Chief Executive Officer, CPW, S.A.*

Joe R. Lee
Executive Vice President–Finance

Edward K. Bixby
Senior Vice President

Stephen J. Garthwaite
Senior Vice President

David E. Kelby
Senior Vice President, Treasurer

Ronald N. Magruder
Senior Vice President

Thomas P. Nelson
Senior Vice President, Controller

Jeffrey J. O'Hara
Senior Vice President

Stephen W. Sanger
Senior Vice President

Stephen H. Warhover
Senior Vice President

Clifford L. Whitehill
Senior Vice President, General Counsel and Secretary

*Partially Owned

Company Officers

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Vice President, Director of Corporate Communications

Walter W. Faster
Vice President, Director of Corporate Growth and Development

Sandy J. Navin
Vice President, Director of Taxes

Staff Executives

Ivy S. Bernhardson
Vice President, Senior Associate Counsel and Assistant Secretary

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Vice President, Director of Strategic Planning and Analysis

Sam A. Catapano
Vice President, Director of Auditing

James L. Craig, M.D.
Vice President, Director of Health and Human Services

Cyrus E. Johnson
Vice President, Director of MGO Facilities and Services

Reatha Clark King
Vice President, President and Executive Director, General Mills Foundation

Joseph R. Mucha
Vice President, Human Resources
(International Foods, Gorton's and Sperry)

D. Russell Norha
Vice President, Director of Employee Relations

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Vice President, Director of Compensation and Benefits

Austin P. Sullivan
Vice President, Director of Public Affairs

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Vice President, General Counsel–Foods

Consumer Foods

Betty Crocker Products

David D. Murphy
President

Y. Marc Belton
General Manager, Grain Snacks

Autumn M. Boos
General Manager, Fruit Snacks

Laurie H. Greeno
General Manager, Desserts

Kevin A. Nosbisch
Vice President, Controller

Jeffrey J. Rotsch
Vice President, General Manager, Main and Side Dishes, Beverages

Big G

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President

Alfred G. Colling
Vice President, Controller

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Director, New Enterprises Business Unit

John O. Hallberg
Vice President, Director, Cheerios Business Unit

Sidney F. Sapakie
Vice President, Cereal Research & Technology

Richard A. Shaeffer
Vice President, Director, Adult Business Unit

Peter J. Spokes
Vice President, Director, Merchandising

Christianne L. Strauss
Director, Child Business Unit

Foodservice

Roger W. Rumble
President

Ronald E. Behm
Director, National Sales

Robert B. Bruce
Marketing Director

Gorton's

Stephen H. Warhover
President

International Foods

Stephen R. Demeritt
President, International Foods/General Mills Canada

General Mills Canada

Kirk L. Spresser
Vice President, Cereals

Barry C. Wolfish
Vice President, Betty Crocker Products

Biscuiterie Nantaise (France)

Guy C.A. Scherrer
President

Xavier Gerard
General Manager, Savory Snacks

Bernard Ormieres
General Manager, Sweet Products

Smiths Foods (Benelux)

Willem Van der Mee
President

Armand Vos
General Manager, Smiths Foods S.A. (Belgium)

Sperry

Michael E. Cushmore
President

Charles F. Gill
Vice President, Director of Operations

Robert L. Stretmater
Vice President, Bakery Flour/Export/Latin American Operations

Donald Halman
General Manager, General Mills de Panama, S.A.* (Panama)

Stuardo Soler
General Manager, Industria Harinera Guatemalteca, S.A.* and Industria del Maiz, S.A.* (Guatemala)

Yoplait

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President

Charles N. Colucci, Jr.
Vice President, Marketing

Christina L. Steiner
Vice President, New Business Development

Bringers

Gary M. Rodkin
President

Consumer Foods Sales

Edward K. Bixby
President

James J. Kula
Vice President, Central Zone Director

David G. Stuckey
Vice President, Western Zone Director

Jefferson B. Yeakel
Vice President, Eastern Zone Director

David J. McMahon
Director, Trade Relations

Information Systems

Kenneth L. Thome
Vice President

Marketing Services

Donald L. Knutzen
Vice President

Technology and Operations

Stephen J. Garthwaite
Senior Vice President, Technology and Operations

Randy G. Darcy
Vice President, Director of Manufacturing

Thomas J. Lee
Vice President, Procurement

L. Scott Hackett
Vice President, Grain Operations

Donald E. Ryks
Vice President, Operations Development

Warren M. Schwecke
Vice President, Director, Quality Control

Phillip G. Semmer
Vice President, Controller

Keith R. Sieck
Vice President, Human Resources

*Partially Owned

Restaurants

Red Lobster USA

Jeffrey J. O'Hara
President

Phillip L. Pritchard
Executive Vice President, Operations

Michael Dimopoulos
Executive Vice President, Marketing

Stephen E. Helsel
Vice President, Controller

Senior Vice Presidents-Operations

Edward M. Baldwin
Cincinnati Division

Charles W. Helms
Chicago Division

David L. Longest
Philadelphia Division

Robert W. Mock
Los Angeles Division

Lynn M. Niergarth
Orlando Division

Robert M. Parrotino
Dallas Division

The Olive Garden

Ronald N. Magruder
President

Jonathan C. Sleik
Executive Vice President, Operations

Marshall K. Luther
Executive Vice President, Marketing

Charles E. Tate
Vice President, Consumer and Community Affairs

Mark A. Peterson
Vice President, Controller

Regional Vice Presidents-Operations

Paul W. Brady
Dallas

Vernon S. Brandon, II
Atlanta

George H. Carey
Cleveland

Francis L. Christman
Philadelphia

James R. Hager
Bradenton

Gregory J. MacIsaac
Los Angeles

Philip A. Neal
Chicago

Darrell L. Rasmussen
Salt Lake City

Gregory D. Taylor
St. Louis

International

Kress T. Muenzmay
President

Canada

William P. Dover
President, General Mills Restaurants, Canada

Dominic Parravano
General Manager, The Olive Garden Canada

Japan

Nobumitsu Kobayashi
President, Red Lobster Japan

China Coast

Blaine Sweatt, III
President

General Mills Restaurants, Inc.

Richard D. Halterman
Senior Vice President, Development

Frank E. Ruble
Senior Vice President, Personnel

James E. Salmon
Senior Vice President, Purchasing/Distribution

James D. Smith
Senior Vice President, Controller

Roger K. Thompson
Vice President, Business Planning and Information

Robert E. Waggoner
Senior Vice President, Finance/Administration

Richard J. Walsh
Vice President, Government Relations

George T. Williams
Senior Vice President, General Counsel

Shareholder Information

Transfer Agent and Registrar
Common Stock:
Harris Trust and Savings Bank
111 West Monroe Street
P.O. Box 755
Chicago, IL 60690
Phone: (800) 445-4802

For other information, call General Mills' Stock Transfer Department at (612) 540-3888.

Agent, Automatic Dividend Reinvestment Plan
Harris Trust and Savings Bank
P.O. Box A3309
Chicago, IL 60690

Stockholders wishing information about the Automatic Dividend Reinvestment Plan may obtain a brochure by writing to: General Mills, Stock Transfer Department, P.O. Box 1113, Minneapolis, MN 55440. Under this plan, General Mills pays the brokerage and service fees associated with the automatic reinvestment of stockholders' dividends.

Independent Auditor
KPMG Peat Marwick
4200 Norwest Center
90 South 7th Street
Minneapolis, MN 55402
Phone: (612) 341-2222

Form 10-K Report
In the opinion of management, the financial statements in this Annual Report to Stockholders include all significant financial data included in the annual report filed on Form 10-K with the Securities and Exchange Commission. Stockholders may request a free copy of the Form 10-K annual report and attached schedules by writing to: Secretary, General Mills, Inc., P.O. Box 1113, Minneapolis, MN 55440.

Notice Of Annual Meeting
The annual meeting of the stockholders of General Mills, Inc. will be held at 11 a.m. Central Daylight Time, Monday, September 16, 1991, in the auditorium of the Children's Theatre Company, 2400 Third Avenue South, Minneapolis.

General Mills Holiday Gift Boxes
Shareholders wishing to receive information about General Mills Holiday Gift Boxes may request a brochure and order form by writing to: Holiday Gift Box Offer, General Mills, Inc., P.O. Box 1112, Dept. 95, Minneapolis, MN 55440.

Markets
New York Stock Exchange
Midwest Stock Exchange

Stock Exchange Symbol: GIS

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